

Matzikama

MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

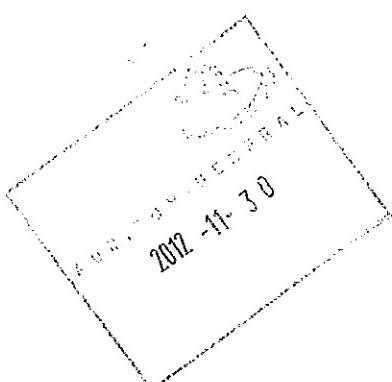
30 JUNE 2012

2012-11-30

MATZIKAMA MUNICIPALITY

Index

Contents		Page
General Information		1
Approval of the Financial Statements		2
Report of the Auditor General		
Statement of Financial Position		3
Statement of Financial Performance		4
Statement of Changes In Net Assets		5
Cash Flow Statement		6
Accounting Policies		7 - 33
Notes to the Financial Statements		34 -57
 APPENDICES - Unaudited		
A Schedule of External Loans		58
B Segmental Statement of Financial Performance - Municipal Votes		59
C Segmental Statement of Financial Performance		60
D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003		61



MATZIKAMA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The Matzikama Municipality includes the following areas:

*Vredendal
Vanhyndorp
Klaver
Koekenaap
Lutzville
Ebenhaezer
Strandfontein
Doringbaai
Bitterfontein
Nuweveld
Stofkraal
Molsdorp
Rietpoort
Kliprand*

34 - 57

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>J G BOCK</i>
Deputy Executive Mayor	<i>P BOK</i>
Executive Councillor	<i>D GOEDEMAN</i>
Executive Councillor	<i>A SINDYAMBA</i>
Executive Councillor	<i>J KRIEL</i>
Speaker	<i>R STEPHAN</i>
Councillor	<i>W H NELL</i>
Councillor	<i>I JULIES</i>
Councillor	<i>E HARRIS</i>
Councillor	<i>F BAM</i>
Councillor	<i>MC WITBOOI</i>
Councillor	<i>C VAN DER WESTRUIS</i>
Councillor	<i>E MOINGOI</i>
Councillor	<i>D JENNER</i>

MUNICIPAL MANAGER

D G J O'Neill

CHIEF FINANCIAL OFFICER

U Baartman

REGISTERED OFFICE

37 Church Street, Vredendal, 8160

AUDITORS

Auditor-General, Private Bag X1, Chempet, 7442

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

*Swanepoel and Swanepoel Attorneys
Koos Coetzee Prokureurs
Downing en Engelbrecht Prokureurs
Smit en Kle/Co
Van Rensburg & Kle*

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1996)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

2012 - 11 - 30

MATZIKAMA MUNICIPALITY

MEMBERS OF THE MATZIKAMA MUNICIPALITY

COUNCILLORS

1	F BAM
2	DS GOEDMAN
3	E MQINGQI
4	P BOK
5	R STEPHAN
6	I F JULIES
7	A SINDYAMBA
8	C VAN DER WESTRUIS
Proportional	W H NELL
Proportional	M C WITBOOI
Proportional	J KRIEL
Proportional	J G BOCK
Proportional	E HARRIS
Proportional	J SMIT

34 -57

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 57 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

D G O'Neill
Municipal Manager

Date

2012-APR-30

RECEIVED
2011-11-30

MATZIKAMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		294 866 178	256 679 069
Housing Development Fund	2	47 049	47 049
Accumulated Surplus/(Deficit)		294 819 129	256 632 020
Non-Current Liabilities		102 431 576	70 507 485
Long-term Liabilities	3	46 980 091	27 619 884
Employee benefits	4	20 495 692	15 191 487
Non-Current Provisions	5	34 955 792	27 696 114
Current Liabilities		45 493 956	44 471 815
Consumer Deposits	6	2 706 613	2 558 041
Current Employee benefits	7	6 888 675	7 083 799
Provisions	8	-	-
Payables from exchange transactions	9	21 823 095	20 647 818
Unspent Conditional Government Grants and Receipts	10	6 176 932	5 104 362
Unspent Public Contributions	11	-	713 859
Taxes	12	-	2 242 077
Operating Lease Liability	20	3 059	13 632
Current Portion of Long-term Liabilities	3	7 890 407	6 073 773
Cash and Cash Equivalents	21	5 176	34 453
Total Net Assets and Liabilities		442 791 709	371 658 370
ASSETS			
Non-Current Assets		411 066 042	342 480 685
Property, Plant and Equipment	13	372 377 880	302 721 480
Investment Property	14	37 235 800	37 235 800
Intangible Assets	15	889 777	956 259
Long-Term Receivables	16	562 584	1 567 146
Current Assets		31 725 667	29 177 685
Inventory	17	2 629 524	1 946 511
Receivables from exchange transactions	18	17 070 557	14 116 943
Receivables from non-exchange transactions	19	3 715 890	3 179 726
Unpaid Conditional Government Grants and Receipts	10	1 416 975	6 676 091
Unpaid Public Contributions	11	616 689	-
Taxes	12	837 324	-
Operating Lease Asset	20	40 312	41 129
Current Portion of Long-term Receivables	16	858 652	1 488 683
Cash and Cash Equivalents	21	4 539 746	1 728 602
Total Assets		442 791 709	371 658 370

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	Restated 2011 R	Correction of error R	Previously reported 2011 R
REVENUE					
Revenue from Non-exchange Transactions		100 611 885	83 151 347	(1 199 975)	84 351 322
Taxation Revenue		24 546 082	19 466 226	0	19 466 226
Property taxes	22	24 546 082	19 466 226	0	19 466 226
Transfer Revenue		73 797 556	62 144 723	(1 199 975)	63 344 698
Government Grants and Subsidies - Capital	23	32 342 482	29 855 620	-	29 855 620
Government Grants and Subsidies - Operating	23	38 124 526	31 242 962	(1 199 975)	32 442 937
Public Contributions and Donations	11	3 330 548	1 046 141	-	1 046 141
Other Revenue		2 268 247	1 540 398	-	1 540 398
Actuarial Gains	4	-	30 092	-	30 092
Fines		2 268 247	1 510 306	-	1 510 306
Revenue from Exchange Transactions		132 793 660	84 365 719	(1)	84 365 720
Service Charges	24	92 059 597	75 097 454	(1)	75 097 455
Rental of Facilities and Equipment		2 722 217	2 652 454	(0)	2 652 454
Interest Earned - external investments		384 019	457 406	(0)	457 406
Interest Earned - outstanding debtors		1 435 251	1 358 644	(0)	1 358 644
Licences and Permits		5 009	13 474	0	13 474
Agency Services		1 569 392	2 449 948	0	2 449 948
Other Income	25	34 618 174	2 854 239	0	2 354 239
Gain on disposal of Property, Plant and Equipment		-	2 100	-	2 100
Total Revenue		233 405 545	167 537 066	(1 199 975)	168 737 042
EXPENDITURE					
Employee related costs	26	65 432 318	53 849 845	1 263 921	52 585 924
Remuneration of Councillors	27	4 432 920	3 668 332	-	3 668 332
Debt Impairment	28	7 453 657	9 651 162	-	9 551 162
Collection Costs		616 121	119 697	-	119 697
Depreciation and Amortisation	29	15 002 244	9 672 498	181 937	9 490 561
Impairments	30	15 282	108 615	22 946	85 669
Repairs and Maintenance		15 828 180	15 108 037	186 676	14 921 361
Actuarial losses	4	4 200 157	1 884 335	-	1 884 335
Finance Charges	31	6 388 588	5 839 471	-	5 839 471
Bulk Purchases	32	52 191 271	39 758 905	-	39 758 905
Contracted services		198 999	30 513	-	30 513
Grants and Subsidies	33	295 007	472 880	123 836	349 043
Operating Grant Expenditure	34	6 479 648	5 162 482	-	5 162 482
General Expenses	35	16 684 045	13 415 829	132 800	13 283 029
Loss on disposal of Property, Plant and Equipment		-	899 301	-	899 301
Total Expenditure		195 218 436	159 541 902	1 912 117	157 629 785
NET SURPLUS/(DEFICIT) FOR THE YEAR		38 187 109	7 995 164	(3 112 092)	11 107 257

2012-11-30

MATZIKAMA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
2010				
Balance at 1 July 2010	464 101		258 077 341	258 541 442
Correction of errors			(9 857 537)	
Restated Balance at 1 JULY 2010	464 101		248 219 804	258 541 442
Net Surplus for the year	-	-	7 995 164	7 995 164
Expenditure to Housing Development Fund	(417 052)	-	417 052	-
Restated Balance at 30 JUNE 2011	47 049	-	256 632 020	266 536 606
Net Surplus for the year	-	-	38 187 109	38 187 109
Expenditure to Housing Development Fund	-	-	-	-
Expenditure to Capital Replacement reserve	-	-	-	-
Balance at 30 JUNE 2012	47 049	-	294 819 129	304 723 715

2012-11-08

MATZIKAMA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	Restated 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		122 582 342	101 834 737
Government Grants		76 798 694	64 474 077
Interest		1 819 271	1 816 050
Payments			
Suppliers and employees		(164 670 013)	(120 356 143)
Transfers and Grants		(295 007)	(472 880)
Finance charges	31	(6 388 588)	(5 839 471)
Net Cash from Operating Activities	37	<u>29 846 698</u>	<u>41 456 370</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(48 523 652)	(42 445 274)
Proceeds on Disposal of Fixed Assets		-	2 100
Purchase of Intangible Assets	15	(21 392)	(27 891)
Decrease in Long-term Receivables		213 356	(130 117)
Net Cash from Investing Activities		<u>(48 331 688)</u>	<u>(42 601 181)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Long-term Liabilities		(4 323 159)	(3 025 271)
New loans raised		25 500 000	-
Increase in Consumer Deposits		148 572	167 802
Net Cash from Financing Activities		<u>21 325 411</u>	<u>(2 857 467)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>2 840 421</u>	<u>(4 002 278)</u>
Cash and Cash Equivalents at the beginning of the year		1 694 149	5 696 427
Cash and Cash Equivalents at the end of the year	38	4 534 570	1 694 149
NET(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>2 840 421</u>	<u>(4 002 278)</u>


 AUDITOR GENERAL
 2012 - 11 - 30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
2	NET ASSET RESERVES		
Housing Development Fund		47 049	47 049
Total Net Asset Reserves		<u>47 049</u>	<u>47 049</u>
3	LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost		54 870 498	33 693 657
Current Portion transferred to Current Liabilities		(7 890 407)	(6 073 773)
Total Long-term Liabilities - At amortised cost using the effective interest rate method		<u>46 980 091</u>	<u>27 619 884</u>
Refer below for maturity dates of long term liabilities:			
The obligations under annuity loans are scheduled below:			
Amounts payable under annuity loans:		Minimum annuity payments	
Payable within one year		14 204 636	10 205 008
Payable within two to five years		41 339 618	25 508 789
Payable after five years		31 499 274	12 849 382
Less:	Future finance obligations	87 143 528	48 563 179
		(32 273 030)	(14 869 522)
		<u>54 870 498</u>	<u>33 693 657</u>
Annuity loans at amortised cost is calculated at 5.70%-11.14% interest rate, with first maturity date of 30 June 2012 and last maturity date of 30 June 2020.			
4	EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1		17 469 184	13 101 856
Long Service Awards - Refer to Note 4.2		3 026 508	2 089 631
Total Non-current Employee Benefit Liabilities		<u>20 495 692</u>	<u>15 191 487</u>
<u>Post Retirement Benefits</u>			
Balance 1 July		13 781 488	11 271 949
Contribution for the year		434 315	290 512
Interest Cost		1 134 350	1 000 194
Expenditure for the year		(701 339)	(655 502)
Actuarial Loss/(Gain)		3 563 004	1 684 335
Total post retirement benefits 30 June		<u>15 211 828</u>	<u>13 781 488</u>
Less:	Transfer of Current Portion - Note 7	(742 644)	(679 632)
Balance 30 June		<u>17 469 184</u>	<u>13 101 856</u>
<u>Long Service Awards</u>			
Balance 1 July		2 284 031	2 005 016
Contribution for the year		328 319	248 148
Interest Cost		173 695	177 252
Expenditure for the year		(181 027)	(116 293)
Actuarial Loss/(Gain)		637 153	(39 092)
Total long service 30 June		<u>3 242 171</u>	<u>2 284 031</u>
Less:	Transfer of Current Portion - Note 7	(215 663)	(194 400)
Balance 30 June		<u>3 026 508</u>	<u>2 089 631</u>
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>			
Balance 1 July		16 065 519	13 276 265
Contribution for the year		762 634	538 660
Interest cost		1 308 055	1 177 446
Expenditure for the year		(882 386)	(781 795)
Actuarial Loss/(Gain)		4 200 157	1 654 243
Total employee benefits 30 June		<u>21 453 999</u>	<u>16 065 519</u>
Less:	Transfer of Current Portion - Note 7	(958 307)	(874 032)
Balance 30 June		<u>20 495 692</u>	<u>15 191 487</u>
4.1 Post Retirement Benefits		2012 Employees	2011 Employees
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
In-service (employee) members		93	81
In-service (employee) non-members		94	59
Continuation members (e.g. Retirees, widows, orphans)		30	30
Total Members		<u>217</u>	<u>170</u>

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	7 780 251	4 243 320
Continuation members	10 421 576	9 538 157
Total Liability	18 211 827	13 781 487

	2008 R	2009 R	2010 R
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
In-service members	1 625 215	1 769 000	2 576 000
Continuation members	6 918 003	7 430 085	8 695 948
Total Liability	8 743 226	9 199 085	11 271 948

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health;
Samumed; and
Keyhealth.

	2012 %	2011 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	7.76%	8.43%
Health Care Cost Inflation Rate	7.03%	7.25%
Net Effective Discount Rate	0.69%	1.10%
The next contribution rate increase is assumed to occur at 1 January 2013		
ii) Mortality rates		
Mortality during employment - SA 65-90		
Mortality post-retirement - P490-1		
iii) Normal retirement age		

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	18 211 828	13 781 488
Total Liability	18 211 828	13 781 488

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a) and GRAP 25.

	2012 R	2011 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	13 781 488	11 271 949
Total expenses	857 336	625 204
Current service cost	454 315	290 512
Interest Cost	1 134 360	1 000 194
Benefits Paid	(701 339)	(665 502)
Actuarial (gains)/losses	3 563 004	1 884 335
Present value of fund obligation at the end of the year	18 211 828	13 781 488
<u>Less:</u>	<u>(742 644)</u>	<u>(879 632)</u>
Balance 30 June	17 469 184	13 101 856

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability R	Continuation members liability R	Total liability R
Central Assumptions	7 780 251	10 421 576	18 211 827

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability R	Continuation members liability R	Total liability R	Change %
Health care inflation	1%	9 810 000	11 494 000	21 304 000	17%
Health care inflation	-1%	6 238 000	9 489 000	15 727 000	-14%
Post-retirement mortality	-1 year	8 076 000	10 666 000	18 942 000	4%
Average retirement age	-1 year	8 392 000	10 422 000	18 814 000	3%
Withdrawal Rate	-50%	8 831 000	10 422 000	19 253 000	6%

Sensitivity Analysis on the Current Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		434 300	1 568 700	1 903 000	
Health care inflation	1%	556 500	1 312 100	1 868 700	19%
Health care inflation	-1%	342 400	989 600	1 332 000	-15%
Post-retirement mortality	-1 year	449 500	1 179 500	1 629 000	4%
Average retirement age	-1 year	477 400	1 165 600	1 643 200	5%
Withdrawal Rate	-50%	525 700	1 190 600	1 716 300	9%

2011 - 11 - 30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011	2010	2009	
History of experience adjustments: Gains and Losses					
Liabilities: (Gain) / loss	2 398 003	(198 000)	1 725 000	47 600	
Assets: Gain / (loss)					
4.2 Long Service Bonuses					
The Long Service Bonus plans are defined benefit plans.					
As at year end, the following number of employees were eligible for Long Service Bonuses.	398	354			
Key actuarial assumptions used:					
i) Rate of Interest					
Discount rate	6.77%	7.94%			
General Salary Inflation (long-term)	6.01%	6.30%			
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.72%	1.54%			
The amounts recognised in the Statement of Financial Position are as follows:	2012 R	2011 R			
Present value of fund obligations	3 242 171	2 284 031			
Net Liability	3 242 171	2 284 031			
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:	2008 R	2009 R	2010 R		
Total Liability	587 152	671 621	2 005 016		
Reconciliation of present value of fund obligation:	2012 R	2011 R			
Present value of fund obligation at the beginning of the year	2 284 031	2 005 016			
Total expenses	320 987	309 107			
Current service cost	328 319	248 148			
Interest Cost	173 695	177 252			
Benefits Paid	(181 027)	(116 293)			
Actuarial (gains) losses	637 153	(30 092)			
Present value of fund obligation at the end of the year	3 242 171	2 284 031			
<u>Less:</u>	(215 663)	(194 400)			
Balance 30 June	3 026 508	2 089 631			
Sensitivity Analysis on the Unfunded Accrued Liability					
Assumption	Change	Liability R	Change %		
Central assumptions					
General salary inflation	-	3 242 000			
General salary inflation	+1%	3 543 000	9%		
Average retirement age	+1%	2 978 000	-8%		
Average retirement age	-2 yrs	2 958 000	-9%		
Withdrawal rates	+2 yrs	3 600 000	11%		
	-50%	3 997 000	23%		
Sensitivity Analysis on the Current-Service and Interest Cost					
Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central assumptions					
General salary inflation		328 319	173 695	502 014	
General salary inflation	+1%	353 576	189 839	543 414	8%
General salary inflation	-1%	306 394	159 452	465 846	-7%
Average retirement age	-2 year	309 605	158 426	467 032	-7%
Average retirement age	+2 year	348 787	191 476	540 283	8%
Withdrawal rates	-50%	413 719	215 577	629 296	25%
History of experience adjustments: (Gains) and losses	2012	2011	2010	2009	
Plan Liabilities	405 952	(224 240)	1 264 879	37021	
Plan assets					

2012-11-30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
4.3 Retirement funds			
The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.			
As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data is be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.			
Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.			
CAPE JOINT PENSION FUND			
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in an sound financial position with a funding level of 69.10% (30 June 2010 - 100%).			
Contributions paid recognised in the Statement of Financial Performance		<u>19 579</u>	<u>17 335</u>
CAPE RETIREMENT FUND			
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 115.9% (30 June 2010 - 100.3%).			
Contributions paid recognised in the Statement of Financial Performance		<u>6 119 460</u>	<u>4 429 552</u>
DEFINED CONTRIBUTION FUNDS			
Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1958, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.			
Contributions paid recognised in the Statement of Financial Performance			
Municipal Councillors Pension Fund		<u>953 601</u>	<u>827 820</u>
SALA Pension Fund			
U			
5 NON-CURRENT PROVISIONS		2012 R	2011 R
Provision for Rehabilitation of Landfill sites		<u>34 955 792</u>	<u>27 695 114</u>
Total Non-current Provisions		<u>34 955 792</u>	<u>27 695 114</u>
In terms of the licensing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives, estimated to be in 2014. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.			
Landfill Sites			
Balance 1 July		27 695 114	26 353 165
Balance Previously Reported			
Transfer of Functions DMA		16 974 755	
Correction of Error - Note 36.08		9 378 429	
Transfer of Functions DMA		5 595 116	
Contribution for the year		1 664 562	1 342 929
Balance Previously Reported			
Correction of Error - Note 36.08		1 210 129	132 600
Total provision 30 June		34 955 792	27 695 114
Current Portion		*	*
Balance Previously Reported			
Correction of Error - Note 35.01 (e)		(2 007 164)	2 007 164
Balance 30 June		<u>34 955 792</u>	<u>27 695 114</u>
6 CONSUMER DEPOSITS			
Water and Electricity		2 705 613	2 558 041
Total Consumer Deposits		<u>2 705 613</u>	<u>2 558 041</u>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

2012-11-30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	742 644	679 632
Current Portion of Long Service Provisions - Note 4	215 663	194 400
Provision for Staff Leave	3 719 709	2 280 636
Provision for Performance Bonuses	498 408	460 107
Bonuses Accrued	1 576 083	1 435 366
Pension	36 168	38 168
2.5% Back Pay	-	-
Provision for TASK Evaluation - Correction of error note 36.03	1 997 490	-
Total Current Employee Benefits	<u>6 688 675</u>	<u>7 083 799</u>

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	2 280 636	1 614 105
Transferred from DMA	180 518	-
Contribution to current portion	1 483 455	922 940
Expenditure incurred	(224 899)	(256 410)
Balance at end of year	<u>3 719 709</u>	<u>2 280 636</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Provision for Performance Bonuses

Balance at beginning of year	460 107	401 640
Contribution to current portion	241 589	450 422
Expenditure incurred	(203 288)	(421 955)
Balance at end of year	<u>498 408</u>	<u>460 107</u>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Bonuses Accrued

Balance at beginning of year	1 435 366	1 198 978
Contribution to current portion	3 140 711	2 518 889
Expenditure incurred	(2 899 934)	(2 282 500)
Balance at end of year	<u>1 576 083</u>	<u>1 435 366</u>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Pension

Balance at beginning of year	36 168	37 397
Contribution to current portion	-	(1 229)
Expenditure incurred	-	-
Balance at end of year	<u>36 168</u>	<u>36 168</u>

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

Backpay 2.5%

Balance at beginning of year	-	118 115
Expenditure incurred	-	(118 115)
Balance at end of year	<u>-</u>	<u>-</u>

Provision for TASK Evaluation

Balance at beginning of year	1 997 490	-
Contribution to current portion	(1 997 490)	-
Expenditure incurred	-	<u>1 997 490</u>

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

	2012 R	2011 R
8 PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Note 5	-	-
Balance Previously Reported	2 007 164	(2 007 164)
Correction of error note 36.01(o)	-	-
Total Provisions	<u>-</u>	<u>-</u>

2012-11-30

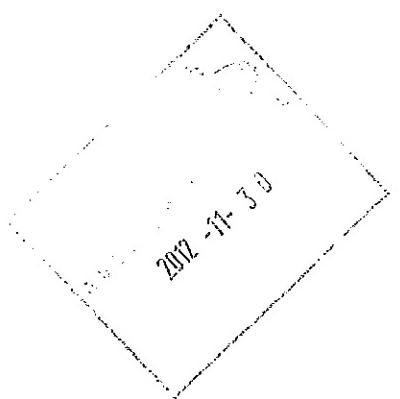
MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
9 PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade Payables		2 957 656	6 631 628
Balance Previously Reported			6 607 692
Correction of error - Note 35.04			123 836
Pre-paid electricity		295 333	427 762
Sundry Creditors		15 026 166	9 278 461
Payments received in advance		1 503 378	853 149
Retention		1 725 847	3 247 673
Sundry Deposits		208 545	209 245
Total Trade Payables		21 823 095	20 647 818
Payables are being recognised net of any discounts.			
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.			
The carrying value of trade and other payables approximates its fair value.			
All payables are unsecured.			
Sundry deposits include half, builders and housing deposits.			
10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS			
Unspent Grants		6 175 832	5 104 352
National Government Grants		3 883 794	2 657 047
Provincial Government Grants		2 293 138	2 447 315
Other Grant Providers			
Less: Unpaid Conditional Government Grants and Receipts		1 416 975	6 676 091
National Government Grants		1 416 975	6 676 091
Balance Previously Reported			7 876 066
Correction of Error - note 35.01 (a)			(1 199 975)
Provincial Government Grants			-
Other Grant Providers			-
Total Conditional Grants and Receipts		4 759 957	(1 571 729)
Refer to note 23 for a detail reconciliation of grants.			
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.			
11 UNSPENT PUBLIC CONTRIBUTIONS			
Unspent Grants			
Exxaro Namakwa Sands			713 859
Less: Unpaid Public Contributions			
Matzikama Onwilekeng Trust		(616 669)	-
Total Public Contributions and Receipts		(616 669)	713 859
Reconciliation of public contributions:			
Exxaro Namakwa Sands and Matzikama Development Trust			
Opening balance		713 859	
Contributions received		2 000 000	1 760 000
Conditions met - Transferred to revenue		(3 330 548)	(1 046 141)
Closing balance		(616 669)	713 859
Contributions received from Exxaro Namakwa Sands (mining) is subject to conditions. The contribution was used to utilise community development and infrastructure.			
12 TAXES			
12.1 VAT PAYABLE			
VAT Payable			2 629 826
VAT Output in suspense		2 624 651	2 478 735
Balance previously reported			
Portion of Output VAT on provision for impairment - opening balance		1 984 842	
Correction of error - note 35.01(m)		878 007	
Less: Contribution to provision for impairment of trade receivables from exchange transactions		(384 114)	
Opening balance			
Movement for the year		(1 463 858)	(1 658 077)
Total VAT Payable		194 209	(678 007)
			(780 070)
		1 160 683	3 450 484
12.2 VAT RECEIVABLE			
VAT Receivable		339 377	
VAT Input in suspense		1 658 630	1 203 407
Balance previously reported			
Correction of error - note 35.01(n)		2 059 720	
Correction of error - note 35.01(n)		(1 031 463)	
Total VAT Receivable		160 150	
			1 203 407
		1 928 007	1 203 407
12.3 NET VAT RECEIVABLE/(PAYABLE)			
VAT is receivable/payable on the cash basis.			837 324
			(2 242 077)

2012-11-30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT



13 PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2012

Reconciliation of Carrying Value

	Opening Balance R	Transfers of Functions R	Additions R	Under Construction R	Transfers H	Disposals R	Opening Balance R	Depreciation Charge R	Transfers H	Impairment R	Disposals H	Accumulated Depreciation and Impairment Losses R	Carrying Value H	
Land and Buildings														
Land														
Buildings	37 060 358	5 286 897	820 249	1 534 405	-	-	44 724 300	1 391 788	266 118	-	-	1 057 906	43 067 004	
Infrastructure														
Stormwater and Roads														
Sewerage	51 823 012	6 179 546	7 055 327	2 029 140	-	-	67 067 324	14 535 154	2 500 500	-	-	17 041 660	50 020 204	
Electricity	80 068 050	8 366 008	5 630 915	22 973 002	-	-	110 448 325	14 541 777	3 329 183	-	-	17 900 771	95 547 404	
Water	60 848 000	3 744 350	2 035 556	77 440	-	-	38 054 740	7 147 500	1 071 503	-	-	20 426 705	20 426 705	
Solid Waste Disposal	60 848 000	249 837	902 054	620 654	-	-	52 924 487	23 164 743	1 020 084	-	-	25 054 850	37 916 657	
Landfill Sites	8 757 386	6 535 116	-	-	-	-	190 987	39 977	14 577	-	-	14 554 330	4 461 125	
Community Assets														
Parks and Gardens														
Parks	23 415 744	-	-	-	-	-	23 415 744	22 015	12 420	-	-	3 076 165	87 101 112	
Urban Parks	860 001	-	-	-	-	-	860 001	61 481	9 987	-	-	35 030	23 385 709	
Recreation Grounds	31 120 949	400 053	235 394	-	-	-	31 848 900	1 233 209	195 100	-	-	91 448	786 375	
Civic Buildings	8 050 069	5 000 077	-	-	-	-	14 611 240	240 240	148 726	-	-	1 420 598	30 426 598	
Tod Ranks & Parking Areas	5 187 500	-	-	-	-	-	5 187 500	42 329	10 694	-	-	652 511	13 756 735	
Commons														
Community Buildings	680 000	-	-	-	-	-	680 000	841	211	-	-	52 830	5 154 507	
Community Buildings														
Other Assets														
Office Equipment														
Furniture & Fixtures	1 631 057	23 224	651 255	2 634 958	-	-	24 882 323	9 181 376	3 225 776	-	-	12 417 757	22 571 017	
Dish and Cutlery	1 620 401	159 983	161 079	-	-	-	1 941 443	563 324	672 108	1 019 934	-	-	2 245 567	2 055 937
Bins and Containers	26 920	201 447	2 451 420	2 202 145	-	-	20 791 559	12 985	1 480	-	-	549 510	1 391 947	
Motor Vehicles	15 702 542	47 754	1 232 226	(2 534 958)	-	-	7 300 509	4 005 358	1 486 302	1 063 330	-	14 336	12 402	
Plant & Equipment	8 257 075	109 908	-	-	-	-	159 908	3 200 148	823 159	(1 063 330)	-	0 054 597	14 006 502	
Computer Equipment	2 634 958	-	-	-	-	-	1 019 934	13 351	(1 019 934)	-	-	2 659 367	4 246 542	
Total Assets	312 855 017	36 062 400	21 077 626	27 446 242	-	467 562 039	60 224 507	14 914 370	-	-	15 202	95 164 159	372 377 800	

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

The effect of the change in Accounting estimates due to the review of useful lives and residual values is as follows:

Increase / (Decrease) in depreciation on other assets for the year

Increase / (Decrease) in depreciation on Infrastructure assets for the year

Included in the cost above is interest amounting to R776 923.02 incurred on qualifying assets which had been capitalised during the year. The rate used to determine the amount eligible for capitalisation is 8.555%.

	2012 R	2013 R	2014 R
Increase / (Decrease) in depreciation on other assets for the year	422 965	494 056	502 409
Increase / (Decrease) in depreciation on Infrastructure assets for the year	639 324	392 907	384 405
Total	1 262 429	877 053	901 914

2012 - 11 - 30

Reconciliation of Carrying Value									
	Cost			Accumulated Depreciation and Impairment Losses			Carrying Value		
	Opening Balance	Transfer of Functions	Under Construction	Transfers	Disposals	Closing Balance	Depreciation Charge	Transfers	Impairments
	R	R	R	R	R	R	R	R	R
Land and Buildings									
Land	33 320 914	-	1 617 260	1 945 145	-	37 085 358	1 168 462	223 327	-
Buildings	151 185 000	-	954 023	1 845 145	-	12 149 923	-	-	-
Balance Previously Reported	22 335 954	-	652 037	1 945 145	-	24 035 435	1 168 462	223 327	-
Correction of Error	22 325 954	-	152 027	1 945 145	-	24 035 435	1 168 462	223 327	-
Land and Buildings	109 461 510	-	30 687 720	4 756 173	-	222 215 542	6 555 206	108 615	67 004 074
Infrastructure	50 077 815	-	1 385 398	302 600	-	51 023 012	12 547 482	1 987 073	-
Stormwater and Roads	63 264 539	-	13 866 285	2 956 256	-	80 046 090	12 522 170	2 019 001	-
Water	63 264 539	-	13 866 295	3 546 068	-	80 715 192	12 522 176	2 019 001	-
Balance Previously Reported	44 889 081	-	14 781 360	1 397 219	-	30 495 056	6 345 120	806 397	-
Correction of Error	44 889 081	-	14 781 360	1 034 068	-	60 866 809	21 809 341	1 273 405	-
Electricity	108 867	-	358 160	358 160	-	60 055 654	21 809 341	1 273 405	-
Water	8 757 268	-	-	-	-	159 087	26 652	13 328	-
Balance Previously Reported	4 958 302	-	-	-	-	8 757 268	7 121 076	405 984	-
Leisure Sites	3 707 006	-	-	-	-	4 958 302	4 044 751	223 579	-
Balance Previously Reported	163 447 058	-	146 945	-	-	3 707 996	3 073 328	183 415	-
Correction of Error	163 447 058	-	146 945	-	-	63 792 023	2 157 958	417 909	-
Community Assets									- 2 575 867
Parks and Gardens	23 205 170	-	140 595	-	-	23 151 744	10 905	5 050	-
Libraries	800 861	-	-	-	-	808 901	9 971	9 970	-
Recreation Grounds	51 129 949	-	-	-	-	51 122 949	10 046	10 046	-
Civic Buildings	6 056 509	-	-	-	-	8 055 509	619 153	85 229	-
Tax Halls and Padding Areas	3 167 500	-	-	-	-	3 167 500	31 754	10 575	-
Community Buildings	900 500	-	-	-	-	800 500	631	210	-
Other Assets	13 351 500	-	-	-	-	13 351 500	308 781	122 815	-
Office Equipment	29 061 649	-	3 982 292	-	-	(2 860 610)	29 058 450	0 446 675	2 431 619
Furniture & Fixtures	1 031 067	-	-	-	-	1 031 067	413 226	138 266	-
Sheds and Containers	513 346	-	-	-	-	(100 751)	1 020 401	214 297	129 137
Motor Vehicles	20 820	-	-	-	-	-	20 820	11 527	1 341
Plant & Equipment	14 500 403	-	1 425 224	-	-	(207 217)	15 762 542	3 222 115	(114 316)
Computer Equipment	7 940 358	-	1 443 306	-	-	(1 035 989)	8 267 675	2 881 424	(225 257)
	4 171 195	-	200 344	-	-	(1 00 581)	2 534 958	1 901 977	(1 318 357)
	343 111 231	-	36 743 056	6 701 318	-	(2 60 610)	362 455 917	72 240 859	9 346 251
									1 701 217
									108 615
									60 224 607
									302 721 440

2012 - 11 - 30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14 INVESTMENT PROPERTY		
Carrying amount at 1 July	37 235 800	37 235 800
Carrying amount at 30 June	<u>37 235 800</u>	<u>37 235 800</u>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

	2012 R	2011 R
15 INTANGIBLE ASSETS		
Computer Software and Servitudes		
Net Carrying amount at 1 July 2011	956 259	1 014 616
Cost	1 320 152	1 292 272
Accumulated Amortisation	<u>(353 903)</u>	<u>(277 655)</u>
Additions	21 392	27 891
Amortisation	<u>(67 874)</u>	<u>(86 248)</u>
Net Carrying amount at 30 June 2012	<u>889 777</u>	<u>956 259</u>
Cost	1 341 554	1 320 162
Accumulated Amortisation	<u>(451 777)</u>	<u>(363 903)</u>

Computer Software were assets to have a life span of 15 years, Servitudes has an Indefinite life span

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

	2012 R	2011 R
16 LONG-TERM RECEIVABLES		
Housing Selling Scheme Loans	683 512	713 294
Receivables subject to repayment arrangements	2 158 961	2 342 535
Total Long Term Receivables	<u>2 842 473</u>	<u>3 055 829</u>
Less: Allowance for Doubtful Debts	<u>(1 421 237)</u>	<u>-</u>
Total Net Long Term Receivables	<u>1 421 236</u>	<u>-</u>
Less: Current portion transferred to current receivables	(858 652)	(1 488 683)
Housing Selling Scheme Loans	(144 701)	(29 782)
Receivables subject to repayment arrangements	<u>(713 951)</u>	<u>(1 458 902)</u>
Total Long Term Receivables	<u>562 584</u>	<u>1 567 146</u>

The carrying amount of these assets approximates their fair value.

The provision for impairment could be allocated to the different classes of Long Term Receivables as follows:

Housing Selling Scheme Loans	(341 756)	-
Receivables subject to repayment arrangements	<u>(1 079 481)</u>	<u>-</u>
Provision for Impairment	<u>(1 421 237)</u>	<u>-</u>

Housing loans are not granted to officials of the municipality, it is in respect of the old housing schemes. The outstanding amount relates to prior years and is not collectable. Housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years.

Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months.

	2012 R	2011 R
17 INVENTORY		
Consumable Stores - at cost	593 883	59 978
Water - at purification cost	255 628	112 899
Graves - at net realisable value	105 263	73 684
Miss Wall - at cost	176 800	176 800
Wheelie Bins - at cost	-	25 200
Housing Inventory - at cost	1 236 769	1 236 769
Land Held for Resale - at cost	261 181	261 181
Total Inventory	<u>2 629 524</u>	<u>1 946 511</u>

No inventory assets were pledged as security for liabilities.

	2012 R	2011 R
18 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
<i>Service Receivables</i>		
Electricity	32 318 723	29 665 513
Water	6 674 172	5 058 408
Refuse	5 290 641	3 981 816
Sewerage	3 980 389	3 376 690
Other	5 949 943	5 435 318
	<u>10 423 578</u>	<u>10 803 721</u>
<i>Other Receivables</i>		
Sundry Receivables	40 823	33 425
Total Receivables from Exchange Transactions	<u>40 823</u>	<u>33 425</u>
Less: Allowance for Doubtful Debts	<u>(15 288 990)</u>	<u>(14 582 095)</u>
Total Net Receivables from Exchange Transactions	<u>17 070 557</u>	<u>14 116 943</u>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Receivables to an amount R4 million are pledged as security for financial liabilities.

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	16 500 292	8 425 529
Contribution to provision	7 259 448	10 331 232
Bad Debts Written Off	(5 198 028)	(2 256 469)
Balance at end of year	18 561 713	16 500 292
Receivables from Exchange Transactions	15 283 990	14 582 095
Receivables from Non-Exchange Transactions	1 851 485	1 918 197
Long term receivables	1 421 297	

Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

	2012 R	2011 R
Ageing of Receivables from Exchange Transactions:		
<i>(Electricity): Ageing</i>		
Current (0 - 30 days)	3 916 906	3 565 085
31 - 60 Days	845 440	222 731
61 - 90 Days	331 735	194 356
91 - 120 Days	187 514	132 204
+ 120 Days	1 392 577	934 033
Total	6 674 172	5 069 409
<i>(Water): Ageing</i>		
Current (0 - 30 days)	838 440	974 395
31 - 60 Days	376 962	237 048
61 - 90 Days	291 651	223 718
91 - 120 Days	282 437	172 182
+ 120 Days	3 502 951	2 374 473
Total	5 290 641	3 981 816
<i>(Refuse): Ageing</i>		
Current (0 - 30 days)	614 544	805 193
31 - 60 Days	290 322	176 478
61 - 90 Days	189 723	163 882
91 - 120 Days	157 400	114 862
+ 120 Days	2 728 409	2 116 274
Total	3 580 389	3 376 650
<i>(Sewerage): Ageing</i>		
Current (0 - 30 days)	877 081	1 244 151
31 - 60 Days	409 222	276 999
61 - 90 Days	259 265	263 039
91 - 120 Days	218 590	178 278
+ 120 Days	4 185 785	3 472 789
Total	5 819 943	5 435 318
<i>(Other): Ageing</i>		
Current (0 - 30 days)	515 059	2 082 079
31 - 60 Days	486 625	297 239
61 - 90 Days	374 620	313 426
91 - 120 Days	279 184	253 978
+ 120 Days	8 768 090	7 856 939
Total	10 423 578	10 603 721
<i>(Total): Ageing</i>		
Current (0 - 30 days)	6 760 031	8 692 913
31 - 60 Days	2 408 571	1 210 455
61 - 90 Days	1 447 194	1 158 473
91 - 120 Days	1 125 124	851 534
+ 120 Days	20 577 603	16 754 588
Total	32 318 723	28 665 953

	2012 R	2011 R
19 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	4 984 251	3 770 854
Other Receivables	583 124	1 327 059
Electricity Deposits	235 141	182 165
Suspense Debtors	346 983	1 144 904
Total Receivables from Non-Exchange Transactions	5 567 376	5 097 923
Less: Allowance for Doubtful Debts	(1 851 485)	(1 918 197)
Total Net Receivables from Non-Exchange Transactions	3 715 890	3 179 726

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Ageing of Receivables from Non-Exchange Transactions:

	2012 R	2011 R
<i>(Rates): Ageing</i>		
Current (0 - 30 days)	1 614 711	1 479 047
31 - 60 Days	457 658	167 832
61 - 90 Days	260 603	135 648
91 - 120 Days	107 874	104 163
+ 120 Days	2 453 206	1 884 104
Total	4 984 251	3 770 854

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
20 OPERATING LEASE ARRANGEMENTS		
20.1 The Municipality as Lessee (Liability)		
Balance on 1 July	13 632	17 699
Movement during the year	(10 573)	(4 067)
Balance on 30 June	<u>3 059</u>	<u>13 632</u>

At the Statement of Financial Position date, where the Municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	20 115	78 799
1 to 5 Years	20 115	20 115
More than 5 Years		
Total Operating Lease Arrangements	20 115	98 914

Matzikama Municipality is leasing a community centre at Klawer, from Transnet (Pty) Ltd for 5 years during the period October 2007 to September 2012 with a escalation of 9% per year.

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year.

20.2 The Municipality as Lessor (Asset)

Balance on 1 July	41 129	36 052
Movement during the year	(817)	5 077
Balance on 30 June	<u>40 312</u>	<u>41 129</u>
Total Operating Lease Arrangements	236 065	330 509

At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	79 232	94 644
1 to 5 Years	155 570	199 144
More than 5 Years	1 263	38 920
Total Operating Lease Arrangements	236 065	330 509

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has an undetermined conditional income.

Matzikama Municipality is leasing land and buildings to different rate payers for periods ranging from 36-120 months with escalations of between 8% and 10% per year.

The leases are in respect of land and buildings being leased out for periods ranging until 2019.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
21 CASH AND CASH EQUIVALENTS			
Assets			
Bank Accounts		4 532 946	1 722 252
Cash Floats		5 600	6 350
Total Cash and Cash Equivalents - Assets		4 539 746	1 728 602
Liabilities			
ABSA Bank - Account Number 4550-1900-3588-9018		5 176	34 453
Total Cash and Cash Equivalents - Liabilities		5 176	34 453
The Municipality has the following bank accounts:			
Current Accounts - Assets			
ABSA Bank - Account Number 4550-1900-3588-9018		3 913 695	1 567 937
ABSA Bank - Account Number 40-5057-5029		1 911	121
ABSA Bank - Account Number 40-7513-2844		11 690	-
ABSA Bank - Account Number 40-7512-9932		605 650	154 194
ABSA Bank - Account Number 40-7554-5657		4 532 946	1 722 252
ABSA Bank - Account Number 40-7670-7628			
Current Accounts - Liabilities		5 176	34 453
ABSA Bank - Account Number 40-5057-5029			
Cash book balance at beginning of year		1 567 937	5 670 615
Cash book balance at end of year		3 913 695	1 567 937
Bank statement balance at beginning of year		1 522 302	6 625 173
Bank statement balance at end of year		3 913 695	1 522 302
ABSA Bank - Account Number 40-7513-2844			
Cash book balance at beginning of year		-	1 900
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		-	1 900
Bank statement balance at end of year		-	-
ABSA Bank - Account Number 40-7512-9932			
Cash book balance at beginning of year		121	17 747
Cash book balance at end of year		1 911	121
Bank statement balance at beginning of year		121	17 747
Bank statement balance at end of year		1 911	121
ABSA Bank - Account Number 40-7554-5657			
Cash book balance at beginning of year		-	415
Cash book balance at end of year		11 690	-
Bank statement balance at beginning of year		-	415
Bank statement balance at end of year		11 690	-
ABSA Bank - Account Number 40-7670-7628			
Cash book balance at beginning of year		154 194	-
Cash book balance at end of year		605 650	154 194
Bank statement balance at beginning of year		154 194	-
Bank statement balance at end of year		605 650	154 194
ABSA Bank - Account Number 4550-1900-3588-9018			
Cash book balance at beginning of year		(34 453)	-
Cash book balance at end of year		-	(34 453)
Bank statement balance at beginning of year		(34 453)	-
Bank statement balance at end of year		-	(34 453)
22 PROPERTY RATES			
Actual			
Rateable Land and Buildings			
Residential, Commercial Property, State		24 546 082	19 466 226
Total Assessment Rates		24 546 082	19 466 226
Rates:			
Residential		0.00729 c/R	0.0080 c/R
Commercial		0.00729 c/R	0.0080 c/R
Agricultural (2010 - less 65% rebate)		0.00182 c/R	0.0020 c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September.
Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
23 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants		
Equitable Share	32 066 000	26 618 310
Conditional Grants		
CDW's	32 066 000	26 618 310
Department of Mineral Resources	38 401 008	35 680 247
Department of Sport and Culture	207 061	200 000
Doringbaai Lobster Holdings	1 132 438	2 933 100
DOW; Vanrhynsdorp	280 059	156 733
Revenue Enhancement	-	61 623
FMG	193 638	4 165 833
Hoodia Project	300 000	-
Housing	-	2 902 315
Housing Consumer Education	17 030 829	10 645 211
Library Services	2 917 000	26 517
Lotto	10 684 910	426 000
MIG	1 001 000	(37 379)
MSG	1 192 194	12 085 296
EPWP	233 143	956 182
RBIG Water	2 576 615	350 399
ACIP	651 922	551 945
Neighbourhood Development	-	256 472
Department of Sport and Culture	-	-
Tax Terminus	-	-
Exaro Namakwa Sands	-	-
West Coast Community Trust	-	-
Thusong Centre-DMA	-	-
Total Government Grants and Subsidies	70 467 008	62 298 557
Government Grants and Subsidies - Capital	32 342 482	29 855 620
Government Grants and Subsidies - Operating	38 124 526	32 442 937
	70 467 008	62 298 557
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	32 066 000	26 618 310
Executive and Council	207 061	856 182
Budget and treasury office	32 642 482	32 674 232
Corporate Services	-	482 372
Planning and Development	0	372 172
Health	-	-
Community and social services	2 863 757	682 472
Housing	-	26 517
Public Safety	201 764	34 354
Sport and Recreation	-	-
Environmental Protection	-	-
Waste Management	-	-
Waste Water Management	-	-
Road Transport	1 001 000	551 945
Water	1 192 194	-
Electricity	292 740	-
	70 467 008	62 298 556
The Municipality does not expect any significant changes to the level of grants.		
23.1 Equitable share		
Opening balance	(4 718 000)	(4 718 000)
Grants received	32 066 000	31 338 310
Conditions met - Operating	(32 066 000)	(26 618 310)
Conditions met - Capital	-	-
Grant Expenditure to be recovered	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the Municipality by the National Treasury.		
23.2 Local Government Financial Management Grant (FMG)		
Opening balance	(1 250 000)	(451 098)
Grants received	1 250 000	1 000 000
Conditions met - Operating	-	(2 552 315)
Correction of Error - note 36.05	-	1 103 413
Conditions met - Capital	-	(350 000)
Grant Expenditure to be recovered	(0)	(1 250 000)
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
23.3 Municipal Systems Improvement Grant		
Opening balance	(790 000)	(680 380)
Grants received	790 000	750 000
Conditions met - Operating	34 -57	(805 598)
Correction of Error - note 36.05	-	96 562
Conditions met - Capital	-	(150 584)
Grant Expenditure to be recovered	-	(790 000)
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		

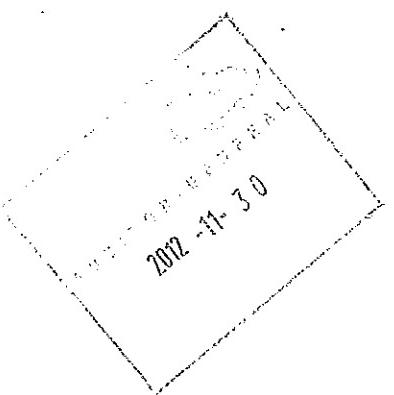
MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
23.4	Municipal Infrastructure Grant (MIG)		
Opening balance		(4 636 093)	(159 794)
Grants received		15 321 090	7 609 000
Conditions met - Operating		-	-
Conditions met - Capital		(10 684 910)	(12 085 295)
Grant Expenditure to be recovered		0	(4 636 090)
The grant was used to upgrade infrastructure in previously disadvantaged areas.			
23.5	Housing Grants		
Opening balance		399 412	26 517
Grants received		16 631 417	11 044 623
Conditions met - Operating		-	(26 517)
Conditions met - Capital		(17 030 629)	(10 645 211)
Conditions still to be met		-	399 412
Housing grants was utilised for the development of erven and the erection of top structures.			
23.6	Department of Mineral Resources		
Opening balance		585 452	1 518 552
Grants received		2 592 000	2 000 000
Conditions met - Operating		(292 740)	(909 803)
Conditions met - Capital		(839 697)	(2 023 297)
Conditions still to be met		2 045 015	585 452
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.			
23.7	Other Grants		
Opening balance		4 119 497	(483 021)
Grants received		8 156 000	10 734 144
Grants withheld		(106 000)	-
Transfer from DMA		98 277	-
Conditions met - Operating		(5 765 786)	(1 567 773)
Conditions met - Capital		(3 787 046)	(4 601 232)
Write off - irrecoverable grant expenditure		-	37 379
Conditions still to be met/(Grant Expenditure to be recovered)		2 714 941	4 119 497
Various grants were received from other spheres of government (e.g. Library Services Grant and Neighbourhood Development Grant).			
23.8	Total Grants		
Opening balance		(1 571 729)	(4 947 225)
Grants received		76 806 417	64 474 077
Correction of Error - note 36.05			1 199 974
Grants withheld		(106 000)	-
Transfer from DMA		98 277	-
Conditions met - Operating		(38 124 526)	(32 480 315)
Conditions met - Capital		(32 342 482)	(29 855 620)
Write off - irrecoverable grant expenditure		-	37 379
Conditions still to be met/(Grant expenditure to be recovered)		4 759 956	(1 571 729)
Disclosed as follows:			
Unspent Conditional Government Grants and Receipts		6 176 932	5 104 352
Unpaid Conditional Government Grants and Receipts		(1 416 975)	(6 676 091)
		4 759 957	(1 571 729)
24	SERVICE CHARGES		
Electricity		64 435 598	51 253 622
Service Charges		65 351 444	51 949 528
Less: Rebates		(925 846)	(896 006)
Water		11 659 931	9 562 843
Service Charges		13 018 705	11 059 403
Less: Rebates		(1 358 774)	(1 536 560)
Refuse removal		6 657 628	5 656 646
Service Charges		9 813 149	8 121 378
Less: Rebates		(3 155 522)	(2 454 732)
Sewerage and Sanitation Charges		9 308 441	8 624 443
Service Charges		13 631 113	12 339 835
Less: Rebates		(4 524 672)	(3 715 392)
Total Service Charges		92 059 597	75 097 454
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.			

AUDITOR'S REPORT
2012 - 11 - 30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
25 OTHER INCOME		
Advertising	3 852	3 102
Application Fees - Town Planning	50 533	32 235
Building Plan Fees	247 269	198 135
Cemetery	271 584	426 087
Cemetery Digging	9 781	23 914
Driveways	16 696	6 963
Encroachments	80 547	61 457
Housing Redeemed	69 655	147 913
Insurance Claims	535 181	
Photocopies	21 780	22 315
Refuse Bags	623	246
Roadworthy Certificates	652 453	609 589
Subscription Fees	570	175
Sundry Income - Finance	660 321	720 225
Valuation Certificates	50 091	61 199
Licences and permits	837 695	
Land Sales	92 178	40 704
Transfer from DMA	30 816 959	
Total Other Income	34 618 174	2 354 239
26 EMPLOYEE RELATED COSTS		
Bonuses	3 382 300	1 895 473
Contributions for UIF, pensions and medical aids	10 314 297	8 705 915
Housing Subsidy	182 072	199 087
Long service awards	328 319	248 148
Overtime	2 178 134	1 959 299
Post Employment Health	434 315	290 512
Protective Clothing	384 874	383 522
Provision for Staff Leave	1 483 455	922 940
Salaries and Wages	€2 450 885	34 031 468
Skills Development Levy and Training	841 926	1 219 158
Travel, motor car, telephone, assistance and other allowances	3 452 241	2 750 402
Correction of error - note 38.03		1 283 921
Total Employee Related Costs	65 432 318	53 849 845
KEY MANAGEMENT PERSONNEL	2012 R	2011 R
Municipal Manager is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of the contract period. All other Directors are permanently appointed.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager: D O'NEILL</i>		
Annual Remuneration	1 062 045	951 180
Performance Bonuses	66 583	122 756
Total	1 128 628	1 073 936
<i>Remuneration of the Acting Director Technical Services (2011 - 10 months)</i>		
Annual Remuneration	521 858	
Performance Bonuses	63 360	
Total	-	585 218
<i>Remuneration of the Director Technical Services: J PEKEUR</i>		
Annual Remuneration	652 980	105 579
Performance Bonuses	30 044	-
Total	683 024	105 579
<i>Remuneration of the Director Corporate Services: W CONRADIE</i>		
Annual Remuneration	598 276	138 819
Performance Bonuses	30 113	71 190
Total	629 389	210 009
<i>Remuneration of the Acting Director Corporate Services (2011 - 7 months)</i>		
Annual Remuneration	193 066	
Performance Bonuses	-	
Total	-	193 066
<i>Remuneration of the Director Corporate Services (2011 - 2 months)</i>		
Annual Remuneration	95 627	-
Performance Bonuses	-	
Total	-	95 627
<i>Remuneration of the Director Community Services: J SWARTZ</i>		
Annual Remuneration	619 200	597 408
Performance Bonuses	35 844	77 099
Total	655 044	674 507
<i>Remuneration of the Director Financial Services: K BRUWER</i>		
Annual Remuneration	703 128	678 384
Performance Bonuses	40 703	87 550
Total	743 831	765 934



MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
27 REMUNERATION OF COUNCILLORS			
Salaries		3 435 898	2 600 140
Housing Subsidy		-	54 142
Travel, motor car, telephone, assistance and other allowances		995 022	601 658
Contributions for UIF, pensions and medical aids		-	212 152
Total Councillors' Remuneration		4 432 920	3 668 332
<i>In-kind Benefits</i>			
The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.			
28 DEBT IMPAIRMENT			
Trade Receivables from exchange transactions - Note 18		7 259 448	10 331 222
Long-Term Receivables		194 209	(780 070)
VAT Portion of Provision - note 12		7 453 657	9 551 162
Total Contribution to Debt Impairment			
29 DEPRECIATION AND AMORTISATION			
Property Plant and Equipment		14 914 370	9 586 251
Intangible Assets		67 874	68 248
Total Depreciation and Amortisation		15 002 244	9 672 499
30 IMPAIRMENTS			
Property, Plant & Equipment		15 282	108 615
Total Impairments		15 282	108 615
31 FINANCE CHARGES			
Long-term Liabilities		4 194 895	3 451 895
Landfill Sites		1 664 552	1 210 129
Post Employment Health		1 134 360	1 000 194
Long service awards		173 695	177 252
<i>Less: Borrowing Cost Capitalised (Refer note 13 PPE)</i>		7 167 511	5 839 471
Total Finance Charges		6 383 588	5 839 471
32 BULK PURCHASES			
Electricity		48 590 251	37 066 162
Water		3 601 019	2 692 743
Total Bulk Purchases		52 191 271	39 758 905
33 GRANTS AND SUBSIDIES		2012 R	2011 R
Namakwa Huiggenoot Fees		-	42 799
Donations General		165 000	146 250
Life Guards		115 098	121 553
Poverty Alleviation		13 911	38 441
Total Grants and Subsidies		295 007	349 043
34 Operating Grant Expenditure			
Operating grant expenditure per vote			
Executive and Council		129 633	857 782
Budget and treasury office		2 435 687	1 903 609
Corporate Services		8 990	-
Planning and Development		1 504 684	1 451 733
Health		823 270	-
Community and social services		-	-
Housing		-	-
Public Safety		-	-
Sport and Recreation		202 396	34 354
Environmental Protection		-	-
Waste Management		47 587	-
Waste Water Management		-	-
Road Transport		21 878	-
Water		1 047 534	-
Electricity		258 190	909 603
Total Operating grant expenditure		6 479 648	5 162 482

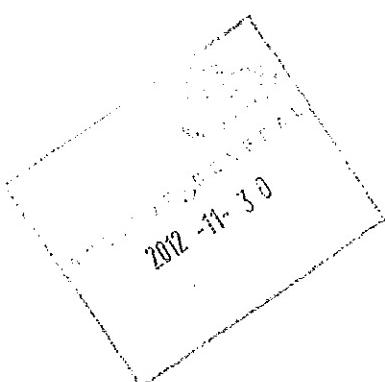
2012 -11- 30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
35	GENERAL EXPENSES		
	Advertisements	502 254	301 995
	Audi Committee Fees	68 294	22 837
	Audi Fees	1 235 492	1 345 223
	Bank Charges	381 328	302 171
	Cleaning Material	65 809	80 887
	Commission Paid	943 513	111 689
	Computer Charges	990 440	1 102 622
	Consulting fees	258 092	164 737
	Contributions	350 000	176 164
	Development Programmes	22 058	9 089
	Embellishment of Towns	34 643	16 207
	Entertainment Costs	64 442	59 752
	Gas	79 235	65 983
	Information Signs	15 318	64 765
	Insurance	1 387 228	1 230 833
	LED Process Implementation Plan	-	130 646
	Photocopies	21 270	39 789
	Postage	29 907	30 483
	Printing and Stationary	846 243	727 864
	Public Entertainment	247 426	221 027
	Rental	79 516	119 190
	Security Costs	808 667	581 797
	Service Connection Fees	636 841	659 397
	Services	339 819	230 972
	Subscription Fees	457 910	310 223
	Survey Costs	16 000	2 120
	Telephone	1 524 655	1 383 217
	Training Costs	16 384	19 467
	Travel and Subsistence	1 713 075	1 382 259
	Valuation Costs	504 450	1 102 418
	Other	2 801 172	1 286 707
	VAT Review	6 312	
	Proforma payments	211 725	
	TV Licences	6 500	
	General Expenses	<u>16 684 045</u>	<u>13 283 030</u>

36 CORRECTION OF ERROR IN TERMS OF GRAP 3

- (a) No provision for TASK was made in the previous financial year. Expenditure in the current year were paid as back pay for the 2009/10 and 2010/11 years respectively. This error is now corrected retrospectively with the following entries : (D) Accumulated Surplus 2010/11- R1,263,921, (Employee Related Cost),2009/10- R733,569 , (C) Current Employee Provisions R1,997,490.
- (b) A Grant in aid to the Tourism Bureau amounted to R123,836 was not accrued as a creditor in the previous Financial year. This is now rectified with the following entries: (D) Accumulated Surplus 2010/11 (Grants and Subsidies) R123,836 (C) Payables from Exchange Transactions R123,836
- (c) Correction of Unpaid Government Grants & Subsidies - MSIG R95,562 and FMG R1 103,413, expenditure wrongfully classified as grant expenditure. This is now rectified with the following entries: (D)Accumulated Surplus 2010/11, R1,199,975 (Government Grants and Subsidies Operating Revenue) (C) Unpaid Grants and Subsidies R1,199,975 (FMG and MSIG)
- (d) Correction of Acc Depreciation 2010/11 Land & Buildings, incorrectly calculated R1,522. This is now rectified with the following entries:(D) Accumulated Surplus 2010/11 R1,522 (Depreciation), (C) Accumulated Depreciation Land & Buildings R1,522
- (e) Correction of Property Plant and Equipment Work in Progress overstated In 2011, expenditure should have been classified as repairs & maintenance. This is now corrected with the following entries: (D) Accumulated Surplus 2010/11 (Repairs & Maintenance) R186,676 (C) Infrastructure PPE - R185,676
- (f) Correction opening balance of the Provision Rehabilitation of Landfill sites with the following entries:(D) Accumulated Surplus 2009/2010 - R9,378,429, K1 Provision Landfill site - R9,378,429
- (g) Correction of the Provision Rehabilitation of Landfill site in 2010/11. This is now corrected with the following entries (D) Accumulated Surplus 2010/11 - R132,800, (C) Provision Landfill Site - R132,800
- (h) Correction of Capitalised Restoration Cost opening balance. This is now corrected with the following entries (D) Capitalised Restoration Cost R3,797,985 , (C) Accumulated Surplus R3,797,985
- (i) Correction of Accumulated Depreciation on Capitalised Restoration Cost with the following entries (D) Accumulated Surplus R160,415 , (C) Accumulated Depreciation of Capitalised Restoration Cost R180,415
- (j) Correction of Accumulated Impairments on Capitalised Restoration Cost with the following entries (D) Accumulated Impairments Capitalised Restoration Cost R26,355 , (C) Accumulated Surplus 2009/10 R26,355
- (k) Correction of Accumulated Impairments on Capitalised Restoration cost for 2010/11 with the following entries (D) Accumulated Surplus 2010/11 R22,946 (C) Accumulated Impairments Capitalised Restoration Cost R22,946
- (l) Correction of Accumulated Depreciation Capitalised Restoration Cost opening balance with the following entries (D) Accumulated Surplus 2009/10 R3,102,680 , (C) Accumulated Depreciation Capitalised Restoration Cost R3,102,680
- (m) Correction of VAT Output suspense due to an error occurring in prior year with the following entries (D) VAT on Dept Impairment R1 658 077,07, (C) Kontrolle BTW R184 041,65 (C)VAT Output R1 059 921,04 (C) Acc Surplus Prior year R384 114,17
- (n) Correction of VAT Input In Suspense due to error in prior year with the following entries (D) BTW Verhaalbaar R189 149,84, (C) BTW Kontrole R1 031 463,18 (D) Acc Surplus Prior year R851 313,34
- (o) Correction of error short term portion Landfill site, useful lives corrected see note 5. This error corrected with the following entries (C) Current Provisions R1 2 007 164, (D) Non-Current Provisions R2 007 164



MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

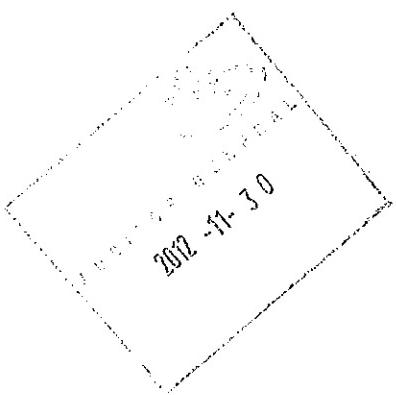
	2011 R	2010 R
36.02 Accumulated Surplus/(Deficit)		
Balance previously reported	269 601 648	258 077 340
Correction of Current Employment Benefits-see note 36.01(a)	(1 997 490)	(733 559)
Correction of Payables from exchange transactions-see note 36.01(b)	(123 636)	-
Correction of Unpaid Conditional grants - see note 36.01 (c)	(1 199 975)	-
Correction of Acc Depreciation opening balance Land & Buildings - see note 36.01 (d)	(1 522)	-
Correction of Infrastructure Property Plant and Equipment : Work in Progress 2011 - see note 36.01 (e)	(186 676)	-
Correction of Provision Landfill Sites - see note 36.01 (f)	(9 378 429)	(9 378 429)
Correction of Provision Landfill Sites - see note 36.01 (g)	(132 800)	-
Correction of Capitalised Restoration Cost - see note 36.01 (h)	3 797 956	3 797 956
Correction of Accumulated Depreciation Capitalised Restoration Cost - see note 36.01 (i)	(180 415)	-
Correction of Accumulated Impairments Capitalised Restoration Cost 2010/11 see note 36.01 (k)	26 355	26 355
Correction of Accumulated Depreciation Capitalised Restoration Cost opening balance- see note 36.01 (j)	(22 946)	-
Correction of VAT Output in Suspence - see note 36.01(m)	(3 102 650)	(3 102 650)
Correction of VAT Input in Suspence - See note 36.01(n)	384 114	384 114
Correction of Short Term portion Landfill site - See note 36.01 (o)	(851 313)	(851 313)
Restated Balance	256 632 019	248 219 803
36.03 Current Employee Benefits		
Balance previously reported	5 086 309	4 143 694
Correction of Current Employment Benefits-see note 36.01(a)	1 997 490	733 559
Total	7 083 799	4 877 263
36.04 Payables from exchange transactions		
Balance previously reported	20 523 932	
Correction of Current Employment Benefits-see note 36.01(b)	123 636	
Total	20 647 618	
36.05 Unpaid Grants and Subsidies		
Balance previously reported	7 876 065	
Correction of Unpaid Government Grants and Subsidies note 36.01(c)	(1 199 975)	
Total	6 676 091	
36.06 Accumulated Depreciation Land & Buildings		
Balance previously reported	(1 390 266)	
Correction of opening balance Acc Depreciation Land and Buildings see note 36.01 (d)	(1 522)	
Total	(1 391 788)	
36.07 Infrastructure PPE at Cost		
Balance previously reported	228 604 232	
Correction of Infrastructure PPE at Cost see note 36.01 (e)	(186 676)	
Total	228 417 556	
36.08 Non- Current Provisions		
Balance previously reported	16 177 721	16 974 758
Correction of 2010/2011 Finance Cost see note 36.01 (g)	132 800	
Correction of error- see note 36.01(d)	2 007 164	
Correction of 1 July 2010 balance see note 36.01 (f)	9 378 429	9 378 429
Total	27 696 114	28 353 165
36.09 Property Plant and Equipment : Capitalised Restoration Cost- Landfill Site		
Balance previously reported	4 959 302	4 959 302
Correction of 1 July 2010 balance - see note 36.01 (h)	3 797 956	3 797 956
Total	8 757 258	8 757 258
36.10 Property Plant and Equipment: Accumulated Depreciation Capitalised Restoration cost		
Balance previously reported	4 355 999	4 044 751
Correction of 1 July 2010 balance -see note 36.01 (i) and 36.01 (j)	3 076 326	3 076 326
Correction of 2010/11 Accumulated Impairments Landfill Site - see note 36.01 (k)	22 946	
Correction of 2010/2011 Depreciation - see note 36.01 (l)	180 415	
Total	7 635 688	7 121 077
36.11 Current Assets: TAXES - VAT Output suspense		
Balance previously reported	3 834 593	
Correction of 1 July 2010 balance - see note 36.01 (m)	(384 114)	
Total	-	3 450 484
36.12 Current Assets: TAXES - VAT Input suspense		
Balance previously reported	2 059 720	
Correction of 1 July 2010 balance - see note 36.01 (n)	(851 313)	
Total	-	1 208 407
36.13 Current Provisions : Landfill site		
Balance Previously Reported	2 007 164	
Correction of error - see note 36.01 (o)	(2 007 164)	
Total	-	-

2012 - 11 - 30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
37 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	38 187 109	7 995 164
Adjustments for:		
Depreciation and Amortisation	15 002 244	9 672 498
Gain on disposal of property, plant and equipment	76 798 694	(2 100)
Grants received	64 474 077	
Grants recognised as revenue	(70 467 008)	(61 098 582)
Debt Impairment	10 331 232	
Bad Debt Written off	(5 198 028)	(2 256 469)
Contribution from/to employee benefits - non-current	2 070 689	1 718 106
Contribution from/to employee benefits - non-current - expenditure incurred	(682 366)	(781 795)
Actual/ai Losses	4 200 157	1 884 335
Actual/ai Gains		(30 092)
Contribution to employee benefits - current	5 046 273	5 188 171
Contribution to employee benefits - current - expenditure incurred	(5 325 671)	(3 080 208)
Contribution to provisions - non-current	1 664 562	1 342 929
Impairment written off	15 282	108 615
Operating lease income accrued	817	(5 077)
Operating lease expenses accrued	(10 573)	(4 057)
Loss on disposal of Property, Plant and Equipment		899 301
Transfer from DMA		
Operating Surplus before changes in working capital	(30 467 284)	
Changes in working capital	37 894 344	36 852 038
	(8 047 646)	5 104 332
Increase in Payables from Exchange Transactions	1 175 277	7 884 777
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts		
Increase in Unspent Public Contributions	(713 859)	713 859
Increase/(Decrease) in Taxes	(3 079 401)	780 456
(Increase)/Decrease in Inventory	(683 013)	(30 017)
(Increase)/Decrease in Receivables from Exchange Transactions	(3 660 509)	(4 584 292)
(Increase)/Decrease in Receivables from Non-Exchange Transactions	(469 452)	339 549
(Increase)/Decrease in Unpaid Public Contributions	(516 689)	
Cash generated/(absorbed) by operations	29 846 698	41 456 370
38 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Note 21	6 600	6 350
Bank - Note 21	4 532 945	1 722 252
Bank Overdraft - Note 21	(5 176)	(34 453)
Total cash and cash equivalents	4 534 570	1 694 149
39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 38	4 534 570	1 694 149
Less:		
Unspent Committed Conditional Grants - Note 10	7 337 614	8 554 846
VAT Payable - Note 12		
Net cash resources available for internal distribution/resources utilised for internal distribution)	6 176 932	5 104 352
40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	46 980 091	27 619 884
Used to finance property, plant and equipment - at cost	(46 980 091)	(27 619 884)
Cash invested for repayment of long-term liabilities		

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.



MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 % (Variance)
41 BUDGET COMPARISONS					
41.1 Operational					
Revenue by source					
Property Rates		24 546 082	24 524 280	21 622	0%
Government Grants and Subsidies - Capital		33 349 555	32 469 571	879 924	3%
Government Grants and Subsidies - Operating		38 124 526	39 535 010	(1 411 464)	-4%
Public Contributions and Donations		2 323 655	1 000 000	1 323 455	132%
Artificial Gains		-	-	-	0%
Fines		2 268 247	1 360 000	908 247	67%
Service Charges		92 059 597	87 965 300	4 073 297	5%
Rental of Facilities and Equipment		2 722 217	2 045 100	677 117	33%
Interest Earned - external investments		384 019	700 000	(315 981)	-45%
Interest Earned - outstanding debtors		1 435 251	1 500 000	(64 749)	-4%
Licences and Permits		5 009	5 100	(11)	-2%
Agency Services		1 559 392	705 000	854 392	123%
Other Income		34 618 174	5 702 600	28 915 574	507%
Gain on disposal of Property, Plant and Equipment		-	100 000	(100 000)	-100%
		233 405 545	197 633 941	35 771 604	18%
Expenditure by nature					
Employee Related Costs		65 432 318	65 275 335	(156 983)	0%
Remuneration of Councillors		4 432 920	4 069 695	(363 224)	9%
Debt Impairment		7 453 657	2 000 000	(5 453 657)	273%
Collection Costs		616 121	250 000	(366 121)	145%
Depreciation and Amortisation		15 002 244	10 201 350	(4 800 694)	47%
Impairment		15 282	-	(15 282)	-100%
Repairs and Maintenance		15 828 180	17 757 000	1 928 820	-11%
Artificial losses		4 200 157	-	(4 200 157)	-100%
Finance Charges		6 368 588	3 721 900	(2 646 688)	72%
Bulk Purchases		52 191 271	48 550 000	(3 641 271)	6%
Contracted services		198 999	30 000	(168 999)	563%
Grants and Subsidies		295 007	260 000	(35 007)	13%
Operating Grant Expenditure		6 479 648	3 934 000	(2 495 648)	63%
General Expenses		18 634 045	16 514 550	(169 495)	1%
Less on disposal of Property, Plant and Equipment		-	-	-	0%
Less Inter-departmental Charges		-	-	-	-
		195 218 437	172 613 831	(22 604 606)	13%
Net Surplus for the year		38 187 108	25 020 110	13 166 998	53%
41.2 Expenditure by Vote					
Budget and treasury office		25 226 290	18 254 492	6 951 798	39%
Community and Social Services		6 994 923	5 277 819	1 717 104	33%
Corporate Services		22 260 899	18 426 394	3 854 505	21%
Electricity		55 679 447	52 213 871	4 465 576	9%
Environmental Protection		50 067	50 704	(637)	-1%
Executive and Council		13 635 689	15 412 668	(1 777 179)	-12%
Housing		867 791	788 822	88 959	9%
Other	Tourism	646 007	638 324	7 683	1%
Planning and Development		3 684 111	3 960 645	(276 534)	-7%
Public Safety		6 586 495	5 269 519	1 299 976	23%
Road Transport		18 650 549	17 676 455	1 214 054	7%
Sport and Recreation		6 513 201	6 751 642	(238 441)	-4%
Waste Management		6 429 051	5 355 873	1 063 188	20%
Waste Water Management		11 860 034	10 182 714	1 677 320	16%
Water		14 893 873	12 326 659	2 567 214	21%
		195 218 437	172 613 831	22 604 606	13%
41.3 Capital expenditure by GFS					
Budget and treasury office		2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 % (Variance)
Community and Social Services		1 355 965	2 220 000	(864 035)	-39%
Corporate Services		635 920	650 800	(223 680)	-26%
Electricity		554 128	2 255 000	(1 660 872)	-74%
Environmental Protection		3 110 164	1 918 100	1 192 064	62%
Executive and Council		5 582 178	6 350 000	(767 822)	-12%
Housing		16 457 337	10 742 701	5 714 635	53%
Other		-	-	-	0%
Planning and Development		38 448	60 000	(21 552)	-35%
Public Safety		383 795	630 000	(246 204)	-39%
Road Transport		5 325 021	5 269 858	55 153	1%
Sport and Recreation		333 443	275 000	58 443	21%
Waste Management		13 577 153	21 193 355	(7 616 202)	-35%
Waste Water Management		1 129 093	1 304 769	(175 691)	-13%
		48 523 652	53 079 613	(4 555 961)	.9%
42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED					
42.1 Unauthorised expenditure					
Reconciliation of unauthorised expenditure:					
Opening balance				25 489 935	10 225 214
Unauthorised expenditure current year - capital				7 020 256	1 359 414
Unauthorised expenditure current year - operating				27 700 441	23 011 352
Written off by council				-	(9 106 024)
Transfer to receivables for recovery				-	-
Unauthorised expenditure awaiting authorisation by municipal council				60 210 731	25 489 935
Incident		Disciplinary steps/criminal proceedings			
Over expenditure on votes		None		31 917 692	17 125 935
Utilisation of grant monies for operational expenditure		None		2 633 044	6 680 697
				34 720 736	23 686 692

2012 - 11- 30

	2012 R	2011 R
42.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	613 189	92 273
Fruitless and wasteful expenditure current year	-	520 916
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	<u>613 189</u>	<u>613 189</u>

Incident	Disciplinary steps/criminal proceedings
Interest and penalties on late payment of creditors	None
SARS interest and penalties relating to VAT	None
	520 916
	<u>520 916</u>

	2012 R	2011 R
42.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	33 273 685	29 557 375
Irregular expenditure current year	5 862 922	15 056 941
Written off by council	-	(10 340 631)
Transfer to receivables for recovery	-	-
Condonement supported by council	-	-
Irregular expenditure awaiting further action	<u>39 136 607</u>	<u>33 273 685</u>

Irregular expenditure awaiting condonement from National Treasury

Incident	Disciplinary steps/criminal proceedings
Purchases made without tax clearance certificates	None
Additional payments made to employees i.e. Essential Motor Scheme	None
Payments to Ebenezer Farm	None
Members of State - refer to 43.08	None
BABEE points incorrectly calculated - Refer note 43.09	None
	54 988
	181 582
	5 486 854
	139 500
	<u>5 862 922</u>
	278 075
	351 591
	14 427 275
	<u>15 056 941</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

	2012 R	2011 R
42.4 Material Losses		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	4 472 496	4 182 796
- Kilo litres lost during distribution	1 598 747	1 350 715
- Percentage lost during distribution	35.75%	32.29%
Electricity distribution losses		
- Units purchased (kWh)	78 849 703	70 609 150
- Units lost during distribution (kWh)	22 386 248	13 360 195
- Percentage lost during distribution	28.39%	18.92%

	2012 R	2011 R
43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
43.01 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance		
Council subscriptions	416 016	282 535
Amount paid - current year	(416 016)	(282 535)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

	2012 R	2011 R
43.02 Audit fees - [MFMA 125 (1)(b)]		
Opening balance		
Current year audit fee		
External Audit - Auditor-General Audit Committee	1 303 786	1 368 560
Amount paid - current year	1 235 492	1 346 223
Amount paid - previous year	68 294	22 337
Balance unpaid (included in creditors)	<u>(619 089)</u>	<u>(1 358 560)</u>
	<u>684 697</u>	<u>-</u>

	2012 R	2011 R
43.03 VAT - [MFMA 125 (1)(b)]		
Opening balance		
Amounts received - current year	(2 629 826)	(1 426 451)
Amounts paid - current year	(2 486 360)	(2 732 499)
Amounts received - previous years	3 303 304	220 155
Amounts claimed - current year	(105 329)	(1 603 020)
Closing balance - (Payable)Receivable	<u>2 257 597</u>	<u>2 911 989</u>
	<u>339 377</u>	<u>(2 629 826)</u>
VAT in suspense due to cash basis of accounting		
Input VAT	1 658 630	1 208 407
Output VAT	(1 160 683)	(820 658)
Claimable	<u>497 947</u>	<u>387 749</u>

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

2012-11-30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
43.04 PAYE, SDA and UIF - [MFMA 125 (1)(b)]			
Opening balance			
Current year payroll deductions and Council Contributions		7 859 722	5 489 906
Amount paid - current year		(7 214 523)	(5 489 906)
Balance unpaid (included in creditors)		<u>645 199</u>	<u>-</u>
43.05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]			
Opening balance			
Current year payroll deductions and Council Contributions		13 356 982	10 532 259
Amount paid - current year		(13 356 982)	(10 532 259)
Balance unpaid (included in creditors)		<u>-</u>	<u>-</u>
43.06 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		Outstanding more than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts for more than 90 days as at 30 June:			
Councillor F Bam		914	4 233
Councillor WH Nel		51 001	81 922
Councillor EL Mgqogqo		35 267	54 470
Councillor MJ Smith		-	3 216
Councillor P Bok		1 280	
Total Councillor Arrear Consumer Accounts		<u>68 463</u>	<u>143 841</u>
43.07 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation (36)(1)(a) & (b)			
		Single Supplier R	Irpractical R
		Emergency R	Total R
Jul-11		1 309 116	
Aug-11		2 569 764	
Sep-11		2 435 791	
Oct-11		1 157 942	
Nov-11		3 043 358	
Dec-11		952 273	
Jan-12		1 608 354	
Feb-12		1 526 511	
Mar-12		648 473	
Apr-12		2 438 701	
May-12		1 123 582	
Jun-12		2 437 839	
		<u>21 261 513</u>	<u>-</u>
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
43.08 No declaration by suppliers as required in Section 13(c) of the Supply Chain Management Regulations		2012 R	2011 R
The contract values of suppliers who did not indicate on the registration forms that members are in service of the state or has been in service of the state in the previous twelve months, are as follow:			
R 10 000 – R 199 999		5 486 854	12 767 782
Greater than R 200 000		-	1 659 493
		<u>5 486 854</u>	<u>14 427 275</u>
43.09 BBBEE points according to Preferential Procurement Regulation 2011 section 5 was incorrectly calculated			
Vredendal Motors - Tender number T43/2011		<u>139 500</u>	<u>-</u>
		<u>139 500</u>	<u>-</u>
43.10 Budget: Non Compliance with section 29 of the MFMA and Sect 71 of the municipal budget regulations:			
Unforeseen and Unavoidable expenditure was not appropriated in the adjustment budget			
The unforeseen and unavoidable expenditure was not appropriated in the adjustment budget			
The adjustment budget appropriating the unforeseen and unavoidable expenditure was not passed within 60 days after the expenditure was incurred			
The mayor did not approve any unforeseen and unavoidable expenditure			
The total unforeseen and unavoidable expenditure for the current year were more than 5% of the municipality			
43.11 Non-Compliance with Budget & Reporting regulations			
Non-Compliance with MFMA Sec 24(3) : The annual budget was not submitted within 10 working days to the relevant provincial treasury and National Treasury			
Non-Compliance with Municipal Budget & Reporting Regulations 26(1) : The adjustment budget was not made public within 10 working days after approval			
Non-Compliance MFMA Sec 28(7) : The adjustment budget and amended SDBIP was not submitted within 10 working days after approval			
Non-Compliance MFMA 72(1) and Sec 34(1) of Budget & Reporting Regulations: The municipality did not submit the Sec 72 report on due date, and did not place the Sec 72 report on the website as prescribed within 5 days after approval.			
44 CAPITAL COMMITMENTS			
Commitments in respect of capital expenditure:			
Approved and contracted for:			
Infrastructure		2 383 913	11 165 343
		<u>2 383 913</u>	<u>11 165 343</u>
This expenditure will be financed from:			
Government Grants		1 749 053	11 165 343
External Loans		634 852	
		<u>2 383 913</u>	<u>11 165 343</u>

45

FINANCIAL RISK MANAGEMENT

2012 R	2011 R
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The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:

1% (2010 - 1%) Increase in interest rates	(503 427)	(320 059)
0.5% (2010 - 0.5%) Decrease in interest rates	251 714	160 029

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to do.

All rates and services are payable within 30 days from invoice date. Refer to note 18 and 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Receivables of R4 million are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 18 and 19 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

	2012 %	2012 R	2011 %	2011 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
Non-Exchange Receivables				
Rates	9.97%	1 851 486	11.63%	1 918 197
Exchange Receivables				
Long Term Receivables	7.66%	1 421 237	0.00%	-
Service Charges	82.37%	15 288 990	88.37%	14 582 095
	100.00%	18 561 712	100.00%	16 500 292
Bad debts written off per debtor class:				
Exchange Receivables				
Service Charges	100.00%	5 198 028	100.00%	2 256 469
	100.00%	5 198 028	100.00%	2 256 469

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term receivables, receivables from exchange transactions and receivables from non-exchange transactions are individually evaluated annually at year end for impairment.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	1 421 238	3 055 829
Receivables from exchange transactions	17 070 557	14 116 943
Receivables from non-exchange transactions	3 715 690	3 179 726
Cash and Cash Equivalents	4 539 746	1 728 602
Unpaid conditional grants and subsidies	1 416 975	5 676 091
	28 154 404	28 757 191

2012-11-30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 2 and 5 years	Between 6 and 10 years	Over 10 years
2012				
Non-current Provisions	-	38 538 761	-	-
Capital	+	24 955 793	-	-
Interest	+	3 582 059	-	-
Long Term Liabilities	14 304 636	41 339 618	31 499 274	-
Payables from Exchange Transactions	19 918 414	-	-	-
Unspent conditional government grants and receipts	6 176 932	-	-	-
	40 399 052	79 878 379	31 499 274	-
2011				
Non-current Provisions	-	32 061 715	-	-
Capital	+	27 696 115	-	-
Interest	+	4 365 600	-	-
Long Term Liabilities	10 205 008	25 508 789	12 849 382	-
Payables from Exchange Transactions	19 243 671	-	-	-
Unspent conditional government grants and receipts	5 104 362	-	-	-
	34 552 440	57 570 504	12 849 382	-

2012 R 2011 R

46 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

46.1 **Financial Assets**

Financial Instruments at amortised cost			
Long-Term Receivables	552 584	1 567 146	
Receivables from exchange transactions	17 070 557	14 116 943	
Current Portion of Long-term Receivables	658 652	1 488 653	
Cash and Cash Equivalents	4 539 745	1 728 602	
Receivables from Non- Exchange transactions	3 715 690	3 179 728	
Unpaid Conditional Grants	2 033 653	6 676 091	
Total carrying amount of financial assets	34 552 440	28 781 092	28 757 191

46.2 **Financial Liability**

Financial Instruments at amortised cost			
Long-term Liabilities	46 930 091	27 619 884	
Payables from exchange transactions	21 623 095	20 647 818	
Current Portion of Long-term Liabilities	7 690 407	6 073 773	
Cash and Cash Equivalents	5 176	34 453	
Unspent Government Grants & Subsidies	6 176 932	5 104 362	
Unspent Public Contributions	-	713 659	
	82 675 700	60 194 149	

47 EVENTS AFTER THE REPORTING DATE

No such instances

48 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

49 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

50 CONTINGENT LIABILITY

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

Council currently has a dispute with the Bargaining Council with regards to the grading of the municipality. TASK was implemented on the current grading, with the condition that back-pay will be paid out to employees eligible if the Bargaining council approves the higher grading. Therefore an amount of R1,285,651 was calculated as possible back pay due in 2012/13.

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009.

51 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers/residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

51.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 16 to the Annual Financial Statements.

2012 -11- 30

MATZIKAMA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

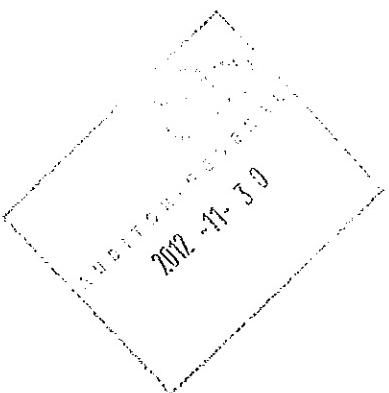
51.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

51.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Supplier	Relationship	Department	Amount
Autopage Cellular	Owner: Husband - Ute Kleinhans	Budget & Treasury	384 578
H D Meyer	Owner: Husband - Helen Meyer	Budget & Treasury	22 458
K C Verkoegng	Owner: Husband - Liefe van Wyk	Budget & Treasury	23 374
Oifantsrivier Paints & Hardware BK	Member	Councillor	4 438
Total			<u>434 848</u>



**APPENDIX A - Unaudited
MATZIKAMA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Rate	Loan Number	Redeemable		Balance at 30 JUNE 2011	Balance at 30 JUNE 2011 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS									
DBSA accrued payment									
DBSA	10.00%	10096	2015	6306306333	787 770	787 770	-	182 478	605 292
DBSA	7.08%	100035	2012	6306306334	509 635	509 635	-	345 312	164 323
DBSA	10.80%	101025	2014	6306306335	1 945 632	1 945 632	-	581 234	1 364 398
DBSA	9.92%	101953	2015	6306306336	1 932 271	1 932 271	-	414 888	1 517 383
DBSA	5.70%	102857	2018	6306306343	3 111 111	3 111 111	-	444 444	2 666 667
DBSA	6.75%	103143(1)	2016	6306306344	1 054 656	1 054 656	-	176 352	878 303
DBSA	6.75%	103143(2)	2018	6306306345	1 885 596	1 885 596	-	168 551	1 717 045
DBSA	11.14%	103749	2020	6306306346	14 120 720	14 120 720	34 -57	974 693	#VALUE!
DBSA		WC12007362.1		6306306356	-		10 300 000	102 583	10 197 417
DBSA		WC12007362.2		6306306357	-		1 200 000	39 271	1 160 729
DBSA		1007262		6306306358			14 000 000	-	14 000 000
INCA - Water and Sewerage	9.75%	3158	2015	6306306332	1 664 737	1 664 737	-	356 795	1 307 942
ABSA - Water Scheme	9.77%	40-6255-0510	2015	6306306330	1 554 901	1 554 901	-	357 718	1 197 184
ABSA - Capital Works 2005/2006	9.15%	40-6512-9293	2016	6306306331	2 181 981	2 181 981	-	381 999	1 799 982
ABSA - Capital Works 2008/2009	Prime - 2%	40-7292-9600	2018	6306306355	1 586 014	1 586 014	-	181 338	1 404 676
Total Annuity Loans					32 335 024	33 693 657	25 500 000	4 323 159	#VALUE!

2012-11-30

APPENDIX B - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
(856 182)	4 799 538	3 943 356	Municipal Manager	(3 502 882)	6 265 483	2 762 601
(1 084 732)	5 820 276	4 735 543	Mayor and Council	(1 217 400)	7 370 206	6 152 806
(1 418 313)	2 471 568	1 053 255	Economic Development/Planning	(2 323 465)	2 607 172	283 707
(750)	447 718	446 968	Tourism	-	646 007	646 007
(168 536)	3 787 886	3 619 349	Other Admin	(34 556)	4 050 281	4 015 725
(503 338)	7 573 581	7 070 243	Human Resources	(650 227)	10 379 338	9 729 111
(694 177)	4 058 453	3 364 276	Property Services	(56 483)	5 104 660	5 048 177
(69 678 255)	23 567 768	(46 110 486)	Budget and Treasury Office	(112 002 623)	25 226 290	(86 776 334)
	2 360 740	2 360 740	Information Technology	-	2 746 620	2 746 620
(291 827)	463 674	171 847	Town Planning/Building Enforcement	(380 209)	1 076 939	696 730
(451 332)	2 121 447	1 670 115	Libraries and Archives	(2 889 013)	2 872 486	(16 527)
(410 966)	1 368 436	957 470	Community Halls and Facilities	(182 200)	2 140 195	1 957 995
(450 002)	1 079 408	629 406	Cemeteries & Crematoriums	(281 765)	1 982 242	1 700 477
(338 183)	755 236	417 052	Housing	(229 674)	867 791	34 -57
(1 503 486)	9 684 451	8 180 966	Other	(3 273 597)	14 290 868	11 017 270
(1 641 857)	6 081 157	4 439 300	Sport and Recreation	(1 979 316)	6 563 268	4 583 953
	-	-	Biodiversity & Landscape	-	-	-
(8 121 756)	5 414 153	(2 707 603)	Solid Waste	(9 441 789)	6 429 061	(3 012 728)
(12 339 835)	7 315 689	(5 024 146)	Sewerage	(13 694 269)	9 493 619	(4 200 650)
	2 349 477	2 349 477	Storm Water Management	-	2 366 415	2 366 415
(565 288)	11 157 490	10 592 202	Roads	(3 912)	9 888 441	9 884 529
(3 059 516)	809 543	(2 249 974)	Vehicle Licensing and Testing	(3 059 541)	1 277 735	(1 781 806)
(11 099 403)	9 730 757	(1 368 646)	Water Distribution	(13 480 736)	14 893 873	1 413 137
(52 859 331)	46 149 042	(6 710 289)	Electricity Distribution	(64 721 888)	56 490 922	(8 230 966)
	174 413	174 413	Street Lighting	-	188 525	188 525
(167 537 066)	159 541 902	(7 995 164)	Total	(233 405 545)	195 218 437	(38 825 225)

APPENDIX C - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
(69 678 256)	24 377 467	(45 300 789)	Budget and treasury office	(112 002 623)	25 226 290	(86 776 334)
(1 312 300)	4 569 291	3 256 991	Community and Social Services	(3 352 978)	6 994 923	3 641 945
(1 366 052)	18 883 079	17 517 027	Corporate Services	(741 266)	22 280 899	21 539 633
(52 859 331)	46 323 454	(6 535 877)	Electricity	(64 721 888)	56 679 447	(8 042 441)
(5 546)	152 296	146 750	Environmental Protection	(5 045)	50 067	45 023
(1 940 915)	8 707 697	6 766 782	Executive and Council	(4 720 282)	13 635 689	8 915 408
(338 183)	755 236	417 052	Housing	(229 674)	867 791	638 117
-	447 718	447 718	Other	-	646 007	646 007
(1 710 891)	2 935 242	1 224 352	Planning and Development	(2 703 673)	3 684 111	980 438
(1 494 171)	4 142 520	2 648 349	Public Safety	(2 253 550)	6 566 495	4 312 945
(3 634 119)	19 858 442	16 224 323	Road Transport	(4 083 501)	18 890 549	14 807 048
(1 636 312)	5 928 861	4 292 549	Sport and Recreation	(1 974 271)	6 513 201	4 538 930
(8 128 183)	5 468 641	(2 659 541)	Waste Management	(9 441 789)	6 429 061	(3 012 728)
(12 333 408)	7 261 201	(5 072 207)	Waste Water Management	(13 694 269)	11 860 034	34 -57
(11 099 403)	9 730 757	(1 368 646)	Water	(13 480 736)	14 893 873	1 413 137
(167 537 067)	159 541 902	(7 995 165)	Total	(233 405 545)	195 218 437	(36 352 873)

AUDITORS REPORT
2012 -11- 30

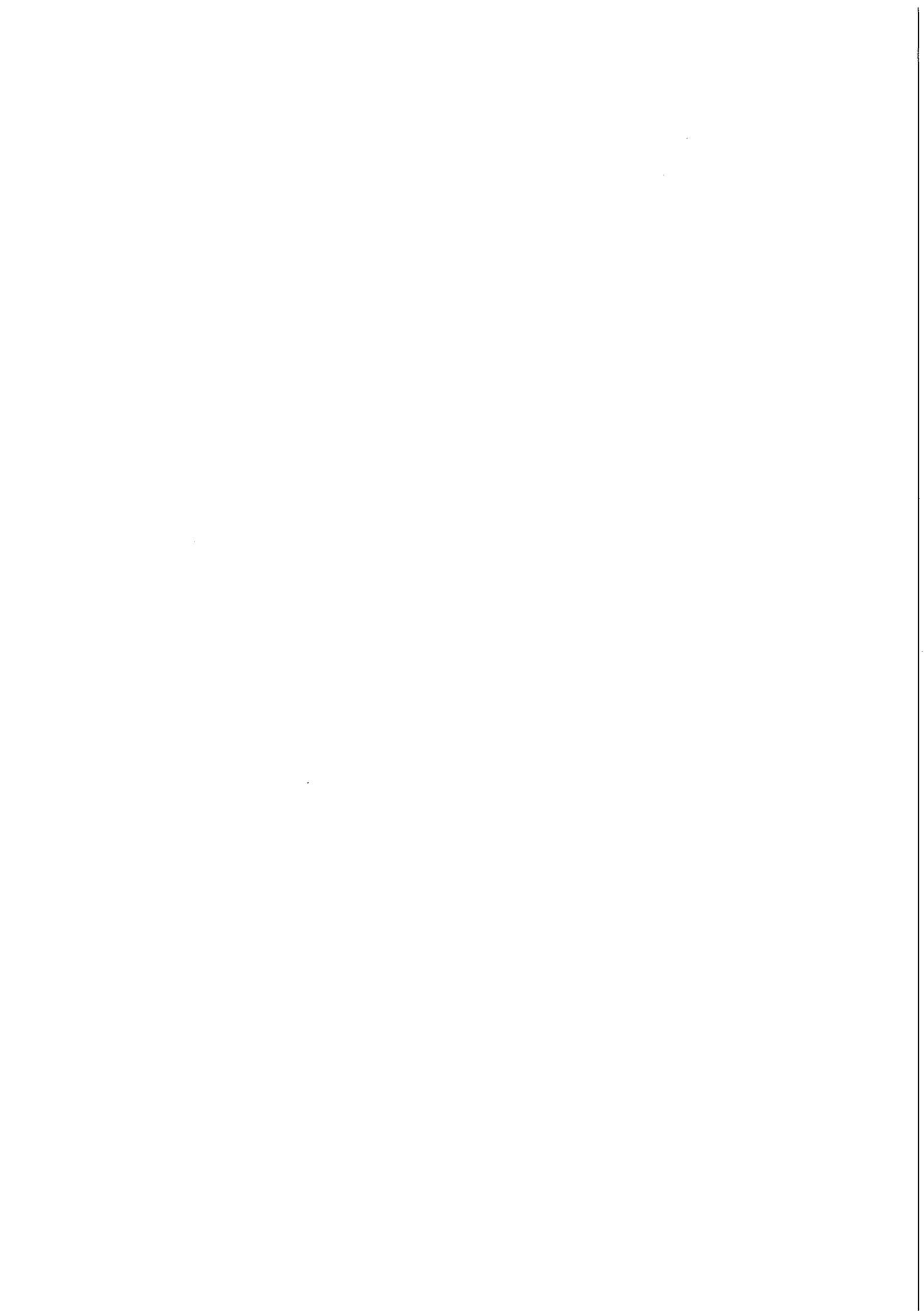
APPENDIX D - Unaudited
MATZIKAMA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	1 JULY R	Balance R	Contributions during the year R	Correction of error R	Transferred R	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Grants Withheld R	Balance 30 JUNE 2012 R	Unspent 30 JUNE 2012 (Creditor) R	Unpaid 30 JUNE 2012 (Debtor) R									
										30 JUNE 2012 R	30 JUNE 2012 R									
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS																				
National Government Grants																				
Equitable Share	-	32 066 000	-	-	-	(32 066 000)	-	-	-	-	-									
Department of Mineral Resources	585 452	2 592 000	1 103 413	-	-	(292 740)	(839 687)	-	2 045 015	2 045 015	-									
FMG	(2 353 413)	1 250 000	-	-	-	-	(10 684 910)	-	0	0	-									
MIG	(4 656 090)	15 321 000	-	-	-	-	-	-	-	-	-									
MSIG	(896 562)	790 000	96 562	-	34-57	-	(2 575 815)	(106 000)	1 038 779	1 038 779	-									
Neighbourhood Development	2 071 594	1 650 000	-	-	-	(1 001 000)	-	-	-	-	-									
EPWP	1 001 000	-	-	-	-	(1 192 194)	-	-	(1 192 194)	-	-									
RBIG	-	-	-	-	-	(193 638)	-	-	8 362	8 362	-									
DWAF	292 000	-	-	-	-	(233 143)	-	-	(233 143)	800 000	800 000									
ACIP	-	-	-	-	-	-	-	-	-	-	-									
IDC	800 000	-	-	-	-	-	-	-	-	-	-									
Total National Government Grants	(5 219 019)	55 672 000	1 199 975	-	-	(34 551 934)	(14 528 203)	(106 000)	2 466 819	3 892 156	(1 425 337)									
PROVINCIAL GOVERNMENT GRANTS																				
Provincial Government Grants																				
CDW's	-	286 000	-	-	-	(207 061)	-	-	78 939	78 939	-									
Department of Sport and Culture	2 047 903	-	-	-	-	(201 754)	(78 295)	-	1 767 844	1 767 844	-									
Housing	399 412	16 631 417	-	-	-	(17 030 829)	-	-	-	-	-									
Library Services	-	2 917 000	-	-	-	(2 863 787)	(53 233)	-	0	0	-									
Taxi Terminus	-	-	-	-	-	(300 000)	-	-	-	-	-									
Revenue Enhancement	-	300 000	-	-	-	-	-	-	-	-	-									
Public Transport Infrastructure	-	1 000 000	-	-	-	-	-	-	348 078	348 078	-									
Thusong Centre-DMA	-	-	-	-	-	98 277	-	-	98 277	98 277	-									
Total Provincial Government Grants	2 447 315	21 134 417	-	-	98 277	(3 572 593)	(17 814 279)	-	2 283 137	2 283 137	-									
TOTAL GOVERNMENT GRANTS	(2 771 704)	76 806 417	1 199 975	98 277	(36 124 526)	(32 342 482)	(106 000)	4 759 957	-	-	-									
Other Grant Providers																				
Exxaro Namakwa Sands	713 859	2 000 000	-	-	-	(2 323 465)	(390 385)	-	(616 689)	(616 689)	-									
West Coast Community Trust	-	-	-	-	-	(2 323 465)	(1 007 083)	-	(616 689)	(616 689)	-									
Total Other Grant Providers	713 859	2 000 000	-	-	-	-	-	-	-	-	-									
TOTAL	(2 057 845)	78 806 417	1 199 975	98 277	(40 447 991)	(33 349 565)	4 143 268	6 185 294	(2 042 026)	-	-									

Annexure B

Report of the Auditor-General

Draft



REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON MATZIKAMA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Matzikama Municipality set out on pages 3 to 57, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Matzikama Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

8. With reference to note 50 to the financial statements, the municipality is subject to the significant uncertainties listed below. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.
- The municipality does not have a permit or licence for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.
 - Council is currently involved in a dispute with the bargaining council with regard to the grading of the municipality.

Restatement of corresponding figures

9. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the 2011-12 financial year in the financial statements of the Matzikama Municipality at, and for the year ended, 30 June 2011.

Material losses

10. As disclosed in note 42.4 to the financial statements, the municipality suffered significant water losses of 1 598 747 kilolitres (35,75%) as a result of inefficient resource management.
11. As disclosed in note 42.4 to the financial statements, the municipality suffered significant electricity losses of 22 386 248 kilowatt hours (28,39%) as a result of inefficient resource management.
12. As disclosed in note 4 to the financial statements, the municipality suffered significant actuarial losses with a value of R4 200 157 as a result of a decrease in the discount rate used in the employee benefit liability calculation.
13. As disclosed in note 18 to the financial statements, material losses amounting to R5 198 028 were reported by the Matzikama Municipality as a result of the write-off of irrecoverable trade receivables.
14. As disclosed in note 28 to the financial statements, material impairments to the amount of R7 453 657 were incurred as a result of impairment of trade receivables.

Material underspending of the budget

15. As disclosed in note 41.3 to the financial statements, the Matzikama Municipality has materially underspent its capital budget to the value of R4 555 961. This underspending resulted in planned capital projects to ensure the maximum development of infrastructure and basic service delivery in the following service delivery areas not being completed by the municipality:
- Budget and treasury office
 - Community and social services
 - Corporate services
 - Environmental protection
 - Executive and council
 - Other
 - Planning and development
 - Public safety
 - Road transport
 - Sport and recreation
 - Waste water management
 - Water

Additional matter

16. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

17. The supplementary information set out on pages 58 to 61 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

18. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

19. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 61 to 124 of the annual report.
20. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development priorities or objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected development priorities is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

21. The material findings are as follows:

Reliability of Information

22. The *National Treasury Framework for managing programme performance information* (FMPPI) requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 47% of the actual reported indicators relevant to the selected objectives were not accurate when compared to source information. This was because systems have not been implemented to ensure that reported performance agrees to the supporting documentation and also because of a lack of review by senior management.

Additional matters

23. I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

24. Of the total number of 87 targets planned for the year, 21 were not achieved during the year under review. This represents 24% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that the indicators and targets were not suitably developed during the strategic planning process.

Material adjustments to the annual performance report

25. Material errors and omissions were identified in the annual performance report during the audit, some of which (29%) were corrected by management, while those that were not corrected have been reported on accordingly.

Compliance with laws and regulations

26. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General Notice* issued in terms of the PAA, are as follows:

Budgets

27. Expenditure was incurred in excess of the limits provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements, performance and annual report

28. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Audit committees

29. The audit committee did not advise the council on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
30. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with the MFMA and DoRA, as required by section 166(2)(b) of the MFMA.
31. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by Municipal Planning and Performance Management Regulation 14(4)(a)(ii).
32. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by Municipal Planning and Performance Management Regulation 14(4)(a)(i).
33. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal Planning and Performance Management Regulation 14(4)(a)(iii).

Internal audit

34. The internal audit unit did not submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14(1)(c).

Expenditure management

35. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
36. The accounting officer did not take reasonable steps to prevent unauthorised and irregular expenditure as required by section 62(1)(d) of the MFMA.

Internal control

37. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

38. The accounting officer did not exercise adequate oversight responsibility over performance reporting to ensure complete and accurate reporting against predetermined objectives and over compliance with the relevant laws and regulations relating to predetermined objectives and the annual performance report.
39. Management did not identify and mitigate the risk of unauthorised expenditure as part of its budget and expenditure management. There was also a lack of an effective internal monitoring system to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were being followed and whether the desired objectives were being achieved to limit irregular expenditure.
40. Those responsible for overseeing financial reporting and internal control did not exercise oversight responsibility over these processes and in addition did not perform a proper review of the financial statements prior to submission for audit, resulting in errors not being identified and corrected in the financial statement disclosures.

Financial and performance management

41. The annual performance report was not reviewed for completeness and accuracy by management prior to submission for audit. A key contributing factor in this regard is the fact that the municipality does not have individuals who fully understand the performance management requirements.
42. The performance of consultants and the status of accounting functions that are contracted out are not reviewed and effectively monitored. Corrective action on under-performance by consultants is not formulated and implemented in a timely manner in order to avoid material misstatements in the financial statements.

Governance

43. The internal audit unit did not focus on the effectiveness and adequacy of the internal control measures to ensure compliance with laws and regulations related to predetermined objectives and did not audit and report on predetermined objectives accordingly.

44. The audit committee did not adequately fulfil its responsibilities as set out in section 166 of the MFMA and in accordance with accepted best practice due to incomplete formulation and definition of the committee's roles and responsibilities in the audit committee charter.

Auditor-General

Cape Town
30 November 2012



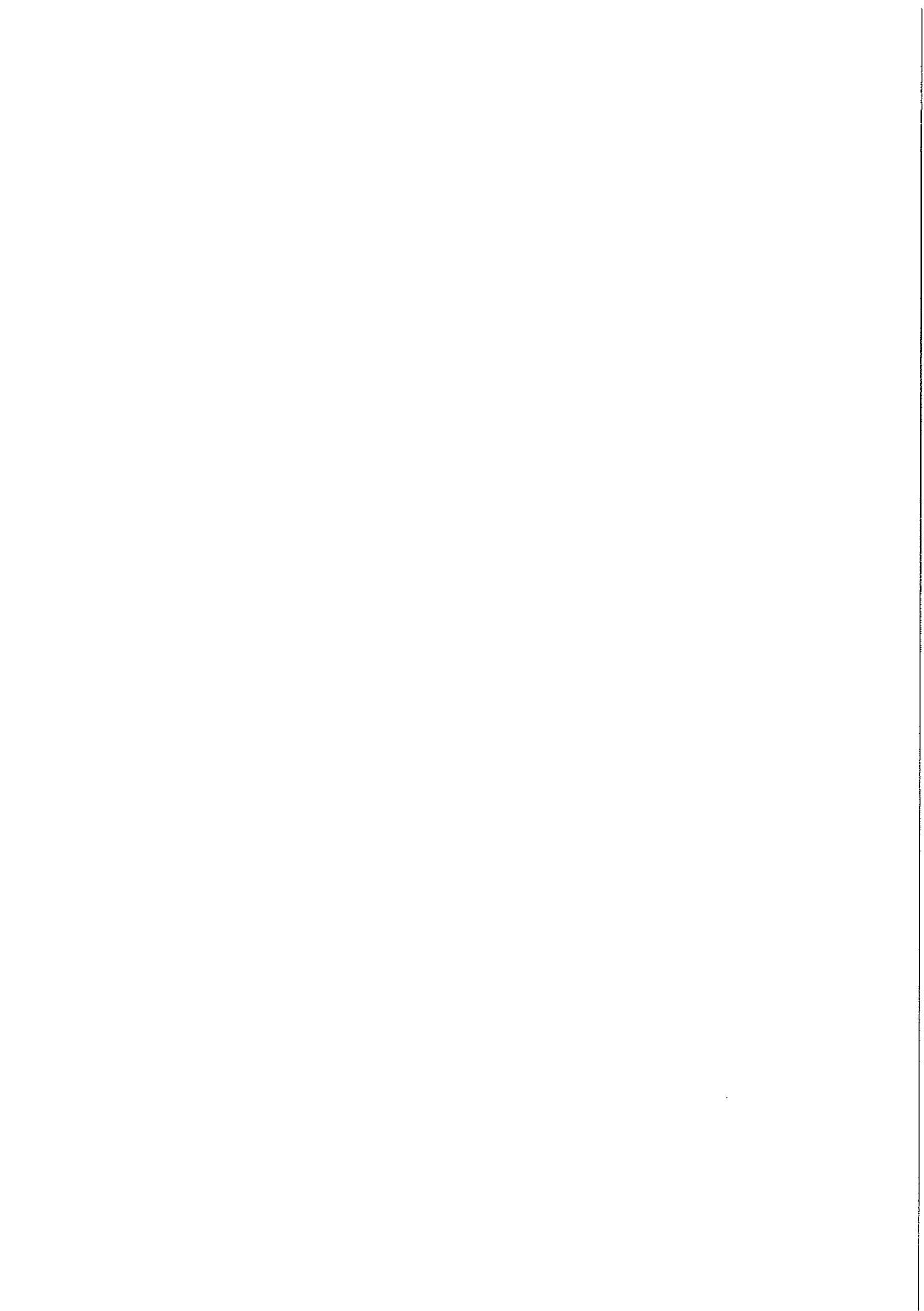
AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure C

Report of the Audit Committee

Draft



AUDIT COMMITTEE REPORT

MATZIKAMA MUNICIPALITY

Report of the Audit Committee

We present our report for the financial year ended 30 June 2012.

Audit Committee Members and Attendance:

The audit committee consisted of the members listed hereunder and should meet 4 times per annum. During the 2011/2012 financial year 6 meetings were held.

Name of Member	Number of Meetings Attended
Mr F Fourie (Chairperson)	6
Ms LJ Basson	6
Mr LJ Claassen	6
Mr A Titus	6

Audit Committee Responsibility

The responsibility of the audit committee has been set out in article 166 of the Municipal Finance Management Act (MFMA) (No 56 of 2003). Furthermore, the expectation exists that the audit committee also operate according to a mandate. The mandate previously adopted by the municipality is in the process of being amended and updated to better suit the municipality's needs.

Internal Control

The internal control system of the municipality is constantly reviewed by way of reports submitted to the committee by the Internal Auditor of the municipality. Recommendations are made to council via the minutes of the audit committee's meetings.

Evaluation of Financial Statements

We have:

- Met with the auditor-general, as external auditors of the municipality.
- Reviewed the financial statements and made the appropriate recommendations.

Internal audit

The audit committee constantly reviews reports submitted by the internal auditor. Time spent by the internal audit department of the municipality is regularly monitored by the committee and recommendations are made, and questions are raised where necessary.

Risks identified and presented by the internal auditor are reviewed. When it is deemed necessary, recommendations are made to council via the minutes of the committee's meetings.

The strategic audit plan was approved by the committee.

Auditor-General South Africa

We have met with the Auditor- General South Africa. The external audit strategy has been discussed.

Other matters

Certain policies of the municipalities are reviewed during the committee's meetings and when it is deemed necessary, recommendations are made to improve these policies.

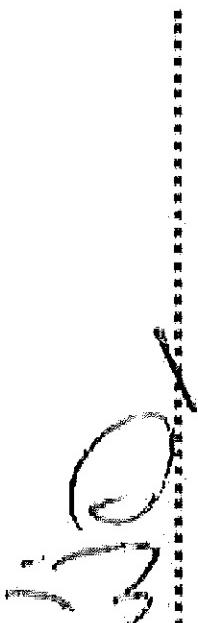
Disciplinary statistics of the municipality are scrutinized as a way of possibly signaling risk areas in the municipality.

Ad hoc reports are requested from internal audit if and when the committee identifies a possible risk area of the municipality.

The audit committee has recently been appointed as the performance audit committee of the municipality.



The audit committee has been of the opinion that council does not take heed of the committee's concerns, recommendations and requests. As a result, it was deemed necessary to visit the Minister of Local Government of the Western Cape during February 2012. The committee is yet to pick the fruits of this labour. The committee hopes to make a constructive contribution to the operation of the municipality.



Chairperson of the Audit Committee:

Date: 24 - 10 - 2012

